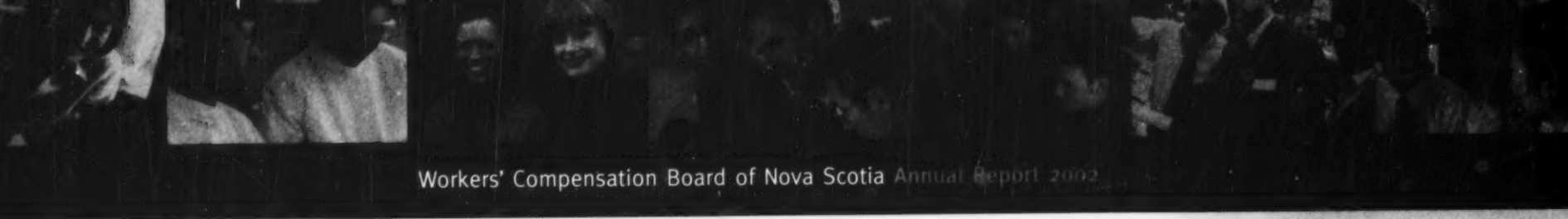

# Mission, Vision, Values, Beliefs, and Goals

The Workers' Compensation Board is one participant in the workers' compensation system which is designed to serve all Nova Scotians and includes: workers and their representatives, employers, the medical community, WCB service providers, Workers' Advisers, the Workers' Compensation Appeals Tribunal, government, those involved in injury and disease prevention, and the people of Nova Scotia themselves.

## The Workers' Compensation Vision

A healthy, working Nova Scotia.

## WCB Mission

The mission of the WCB is to co-ordinate the workers' compensation system to assist injured workers and their employers by providing timely medical and rehabilitative support to facilitate the efforts of injured workers to return to work; and by providing appropriate compensation for work-related disabilities.

## WCB Strategy

The WCB's strategy is to provide an effective administration in order to co-ordinate all of the partners in the workers' compensation system to focus their efforts on building a healthy, working Nova Scotia.

## WCB Responsibility

The responsibility of the Workers' Compensation Board is to administer the Workers' Compensation Act in a manner that:

- reflects the purpose of the Workers' Compensation Act;
- is fair and consistent;
- is financially responsible;
- is sensitive to the needs of injured workers;
- anticipates and is responsive to the changing needs of our clients and changing workplace conditions; and
- is supportive of the prevention of injury and disease.

## WCB Beliefs

The Board of Directors and staff of the Workers' Compensation Board believe:

- that injured workers deserve fair, appropriate compensation, medical and rehabilitation support;
- that all injured workers want to return to work;
- that all partners in the workers' compensation system have a responsibility to assist injured workers to return to work; and
- that all partners in the system must co-operate to achieve a healthy, working Nova Scotia.

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# Message from the Chair

I was appointed Chair in July, 2002. During my term the WCB has been focused on the Dorsey Report and the development of a system-wide strategic plan.

In its response to the Dorsey Report, the Government mandated that the system needed to have strong governance, increased co-operation amongst the partner agencies within the system (the WCB, the Workers' Compensation Appeals Tribunal, the Occupational Health & Safety Division of the Department of Environment and Labour and the Workers' Advisers Program); a strategic plan that is focused on prevention; and an inclusive and transparent method by which the stakeholders (labour, management, and injured workers) could be involved in any changes.

The strategic plan is the vehicle that will tie the government's mandate, as it relates to workers' compensation and occupational health and safety, together. Our efforts in this area represent the start of a new approach for the workers' compensation and occupational health and safety system in Nova Scotia — an approach based on teamwork, co-operation, collaboration and consultation.

Following the release of the Workers' Compensation Review Committee Report in April, and the Government's response to that report in July, the agencies and stakeholders of the system began working together to address the recommendations in the Report. The first step in this increased co-operation was to bring the Education and Prevention Unit of OH&S in-house to the WCB. Our efforts in the areas of workplace disability and risk management are an excellent fit with the Education and Prevention unit's efforts to prevent accidents from happening in the first place. I believe that a strong prevention strategy is a cornerstone of the entire system.

Early in the fall, the WCB Board of Directors recommended to government that the *Workers' Compensation Act* be amended to improve benefits to those in greatest need. Early in December, legislation was passed that provided increased benefits to workers who were injured before March 23, 1990 whose income is below $12,672. The changes to the WCB's Supplementary Benefits Program also allowed a greater number of workers to participate through changes to eligibility requirements. The WCB was able to deliver these benefits within a few weeks of the Government changing the legislation in early December, 2002.

Again in December stakeholders and the agencies came together to begin developing a system strategic plan as mandated by the government. From the system-wide strategic plan flow the future legislative, regulatory, policy, and administrative change priorities for the system. The system-wide strategic planning process will provide all stakeholders in the system with a common set of goals and a common direction, which will help reduce bureaucracy and make the system more transparent. The objective is for shared goals to be tracked using system-wide performance measures and targets, allowing Nova Scotians to assess the performance of the entire system.

Part of the strategic planning process includes looking at the recommended changes to benefits and coverage proposed by the Review Committee. Nova Scotia currently has the second-highest average assessment rate, among the lowest benefit rates in Canada, and as of the end of 2002, is 73.2% funded. These factors must be considered when assessing any potential changes to benefits, the industries covered by the WCB, or other legislative change. The WCB Board of Directors has been very focused in returning to a fully funded position — 100% funded. To ensure the financial stability and sustainability of the system, a balance must always be maintained between benefit levels and assessment rates and the plan to return the WCB to a fully-funded position.

As you will read in this report, throughout 2002 the staff of the WCB continued to be dedicated to providing a high level of quality service. Their professionalism and commitment to the WCB's most important task, helping injured workers and employers, can be seen in our employer and injured worker survey results throughout this report.

The work of our Extended Benefits Unit is a fine example of this commitment. In the space of a few weeks, they identified, contacted, and issued cheques to a group of 500 injured workers who were affected by the change to the legislation around Supplementary Benefits. We recognize that this fast, efficient service is paramount to our clients, both injured workers and employers.

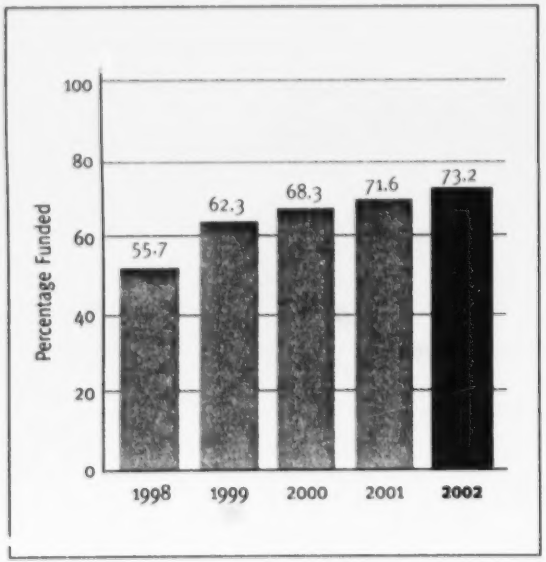
With the partners in the system working together, we will create a system that is more accountable to Nova Scotians, responsive to their changing needs, and is financially sound and sustainable. The individuals and groups involved in this planning have put forth a great deal of effort, and I would like to thank them, as well as the WCB's Board of Directors, management, and staff for their work and commitment throughout the year. The end result of this close co-operation within the workplace safety and insurance system is obvious — a better system for all Nova Scotians.

In closing, I want to particularly recognize and thank two Board members who completed their terms in 2002, Roberta Morrison and Dr. Oscar Wong. Their dedication, commitment and contribution to the workers' compensation system over the years they have served on the Board has been tremendous.

Louis R. Comeau, Chair

# Message

Providing better service has been the impetus for change at the WCB. In 1998, the WCB embarked on our Long-Term Business Plan to improve the service provided to injured workers and employers. 2002 marked the final year of the WCB's implementation of the Long-Term Business Plan (LTBP). The successes of the past five years bode well for the WCB's ability to respond to the system-wide strategic plan currently being developed. In this letter I will review some of the significant accomplishments resulting from the LTBP.




The Long-Term Business Plan made a number of process and technology changes to improve our service to workers. Our E-File system replaces paper files with electronic versions, allowing approved staff members to instantly access information on claims registered after November, 2001. This electronic scanning of information directly to the file reduces the amount of time spent on administrative tasks, and allows for faster response times. In a related LTBP project, our Client Services Delivery Model helped remove barriers to service by more effectively managing incoming claims.

The results of these efforts speak for themselves. In 1997, 42.2% of injured workers received their first benefit cheque within 15 days of their accident. By December, 2002, 78% of workers received their first benefit cheque within 15 days. Injured workers feel that the service has improved as well: in 1997, 44% of injured workers were satisfied with how long it took to get their first benefit cheque and in 2002, 72% of injured workers were satisfied.

At December 31, 1997 the WCB was 50.2% funded, meaning that if the WCB closed its doors at the end of that year and accepted no new claims, it would only be able to pay out $0.50 on every dollar it owed. The sustainability of the system was at risk. Since 1997, however, the WCB's funded percentage has increased from 50.2% to 73.2% in 2002.

Our financial team has, over the long-term, not only delivered better-than-market-average investment returns, but had the foresight to discount some of these exceptional return levels back to normal long-term return levels. This allowed the WCB of Nova Scotia to maintain its average assessment rate of $2.54 per $100 of assessable payroll into 2003, when most other Canadian jurisdictions were increasing assessment rates, primarily to offset the poor investment markets.

Even in the current market environment, the WCB was able to contribute an additional $17.8 million towards the elimination of the unfunded liability in 2001, and $4.3 million in 2002.

One of the most significant projects of the LTBP was the Assessment Payment Plan (APP). This improvement allows employers to pay their WCB premiums throughout the year based on actual payroll, rather than paying it all in March based on estimates of future payrolls. As part of our new partnership with the Canada Customs & Revenue Agency (CCRA), employers can make their WCB remittances payments at the same times, frequencies, and locations as their payments to CCRA. The majority of employers indicate in our customer satisfaction surveys that the Assessment Payment Plan is helpful to their organization.

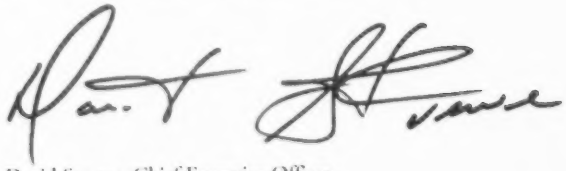
The $15.5 million invested in the Long-Term Business Plan allowed the WCB to make these improvements, and others that you will read about in this report. These were achieved in a number of ways: co-operating with our partners; utilizing technology; improving communication; soliciting input from our stakeholders, and providing our staff with the skills and resources needed to do their jobs.

We have also made these changes and improvements without increasing the administrative burden on the system. Our ratio of administration costs per $100 of assessable payroll is used to determine our administrative efficiency. Our ratio has remained at or below the average for workers' compensation jurisdictions across Canada ($0.38 per $100 of assessable payroll), and while rising slightly from the $0.31 per $100 of payroll in 2001, remains below this level at $0.33 per $100 of payroll in 2002.

We have been continually trying to operate in a transparent and visible manner. Our efforts have not gone unnoticed, as in the Dorsey Report, it was noted that the Auditor General said the WCB "is in the forefront of provincial government agencies in setting, measuring and reporting on performance."

The resulting successes from our Long-Term Business Plan have positioned the WCB well for the future. The system-wide strategic planning initiative, and potential legislative changes that may come as a result of the Dorsey Report, the Government Response, and the public consultation process will require a substantial commitment from the WCB, our Board of Directors, and all of our staff. These initiatives, like the LTBP, will also require an enormous effort from our staff, our partners within the workplace safety and insurance system and all Nova Scotians.

The keys to making these efforts a success are teamwork and co-operation. The commitment and involvement of all Nova Scotians is required in order to build a better workplace safety and insurance system that meets the people's needs and expectations — now and into the future.



David Stuewe, Chief Executive Officer

# Co-operation 2002 in Review

2002 represented a unique opportunity for the people of Nova Scotia. The *Workers' Compensation Act* mandated that a review of the complete workers' compensation system take place five years after the *Act* was implemented. In 2001, the Government established the Workers' Compensation Review Committee to perform this review, and the Committee conducted hearings across the province, providing all concerned citizens with an opportunity to come forward and present any feedback they may have about the system. Additionally, the Review Committee collected information from all of the partners — the WCB, Occupational Health and Safety, the Workers' Compensation Appeals Tribunal, and the Workers' Advisers Program — in the workers' compensation system in order to assess its performance. The goal of the review was simple: to assess the system and provide a benchmark upon which to make improvements.

In April, 2002, the Workers' Compensation Review Committee released its report on the workers' compensation system. Called the Dorsey Report — after the chair of the Committee, James Dorsey — the report addressed 28 different topics and identified a number of key areas that the occupational health and safety and workers' compensation system needs to improve: increased co-operation among the agencies involved in the system; a need for centralized strategic planning and direction; improved governance and ownership of, and responsibility for, the system; improved benefits to injured workers; expanded scope of coverage; and reduced system bureaucracy and reliance on "legalese".

In July, after a careful review of the Dorsey Report and its recommendations, the Government issued its Response Plan. The Government appointed a new chair for the WCB, Louis R. Comeau, and made recommendations for improving the system. Prior to any changes to the system, the Government outlined the key values for change: ensuring the fiscal sustainability of the system; providing reasonable assessment rates for employers and fair benefits for injured workers; incorporating a strategy for accident prevention; and a commitment to strong co-operation and measurable results for the responsible agencies. The Government also recommended improvements to the governance model and directed that best practices be developed for the entire system, a system-wide strategic plan be developed, and stakeholders be involved in the development of policies and plans.

Under the leadership of the new Chair, the WCB's first task was to transfer the Education and Prevention Unit of the Department of Environment and Labour to the WCB. In December, staff and projects from the unit were moved to the WCB. The WCB is currently building an education and prevention plan for the future (for more information on this move see page 8). Increased co-operation and collaboration between the insurance and prevention sides of the system will increase awareness of accident prevention and place a priority on accident reduction.

In 2002 the member agencies, in partnership with stakeholders, began the process of developing a combined vision, mission, and goals for the entire workplace safety and insurance system (see page 12) and moulding these into a system-wide strategic plan. This is a first for Nova Scotia, and involves the input and consideration of all the partners in the system, including injured workers, labour and business. The goal is to build a plan that will provide a sustainable workplace health, safety and insurance system that will be built by Nova Scotians, for Nova Scotians, with their core principles as its core principles.

The WCB has always made an effort to involve stakeholders in its operations: collecting their input through surveys, focus groups, presentations, and discussions. The next step will be to design a collaborative model that will allow stakeholders to provide input into the entire system. In 2002, the WCB and the other agencies in the system developed a stakeholder consultation model to facilitate building the strategic plan and provide the mechanism to allow stakeholders to provide input about how the recommendations of the Dorsey Report and the Government Response's directions will be implemented. Based around stakeholder roundtables, one-on-one meetings, small discussion groups and feedback via the Internet, the consultation process allows people and groups to provide feedback and direction into the planning process. It also allows key leaders from these groups to come together to discuss their vision of the future of the system. (For more information on the consultation process see page 14)

# Corporate Governance

Corporate Governance is the process and structure for overseeing the direction and management of a corporation so that it effectively fulfils its mandate. This involves both its public policy and corporate objectives. The following is an overview of the governance of the Workers' Compensation Board of Nova Scotia.

## Mandate

The Board of Directors is responsible for the governance of the Workers' Compensation Board, and for the exercise of the powers and performance of the duties as set out in the *Workers' Compensation Act*. The Board of Directors oversees delivery of workers' compensation programs, develops policies in accordance with the *Act* to achieve delivery of these programs, and develops legislative proposals for consideration by government. The representative nature of the Board places members in a unique position to ensure that the legitimate interests of stakeholders are considered, while recognizing that they ultimately must act in the best interests of the organization and all the people and firms who rely on its services.

## Structure of the Board of Directors

As specified by the *Workers' Compensation Act*, the Board of Directors consists of not more than 11 members appointed by the Governor in Council (Cabinet). Other than the Chair and Deputy Chair, the Governor in Council shall endeavor to appoint equal numbers of representatives of workers and employers. The Governor in Council may also appoint representatives of the public-at-large to be non-voting members of the Board.

The WCB's Board of Directors maintains standing committees chaired by one of the public-at-large members or the Deputy Chair and with a voting employer and worker representative. These committees advise the Board of Directors by reviewing and making recommendations on issues within the committee's mandate. The three committees are:

- Audit and Finance: reviews issues concerning budgets, quarterly and annual financial reports, appointment of external auditors, internal and external audit plans and any other issue related to audits and finance;
- Investment: reviews the administration, supervision, and management of the WCB's investments through the Statement of Investment Policy and Objectives;
- Governance: reviews issues of governance structure and process of the Board of Directors.

## General Information

**Duties:**

The Board of Directors is responsible for approval of all WCB polices as well as the organization's annual budget and plan. The Board also appoints and evaluates the Chief Executive Officer of the WCB and oversees large-scale corporate projects.

**Stakeholder Participation:**

Currently, the Board of Directors receives regular stakeholder feedback via injured worker, registered employer, and employee opinion surveys. Representatives of the Board of Directors are often present at stakeholder roundtables and information sessions in order to solicit further feedback from stakeholders. The Board of Directors is also involved with the system strategic planning process currently underway.

**Remuneration:**

Remuneration for members of the Board of Directors is included on page 31 of this report, following the Financial Statements.

**WCB Board Members** (as of March 31, 2003)

Chair – Louis R. Comeau
Deputy Chair – Ramsay Duff
Worker Representative – Betty Jean Sutherland
Worker Representative – Jim Neville
Worker Representative – Charlene Long
Employer Representative – Gary Dean
Employer Representative – Elwood Dillman
Employer Representative – James Melvin
Public-at-Large Representative – Paul LeBlanc
Public-at-Large Representative – James White

## A Fond Farewell...

Roberta Morrison, a former injured worker, joined the WCB's Board of Directors as a Worker Representative on October 1, 1995, and was instrumental in the implementation of the new *Workers' Compensation Act* in 1996. Roberta's strong voice for the injured worker community was an asset for the Board of Directors throughout her term, which ended on December 31st, 2002.

Dr. Oscar Wong, who brought a vast array of experience from the medical community, joined the Board of Directors as a Public-at-Large Representative on December 18, 1997. Dr. Wong also served as Deputy Chair of the Board from January 1st, 2000 to the end of his term in December 2002. During his time with the Board, Dr. Wong also served as acting Chair. His unique experience in the health care community will be greatly missed.

This renewed emphasis on collaboration and co-operation amongst the stakeholders in the system complements the work the WCB has underway with its partners in the educational system, and the federal and provincial governments. As you will read in the following pages, the WCB continues working with the Canada Customs and Revenue Agency (CCRA) and Service Nova Scotia and Municipal Relations (SNSMR) on the Nova Scotia Business Registry (NSBR). The NSBR provides employers with 24-hour, on-line access to government permits, licenses, and registration. The WCB has continued its partnership with Dalhousie University on the Diploma in Disability Case Management, a one-of-a-kind degree program for persons dealing with those who are injured.

In a new initiative, the WCB has teamed with CCRA to identify and locate businesses that are not meeting their registration requirements in Nova Scotia. This compliance initiative ensures that all employers in Nova Scotia are competing a level playing field, and that all the workers who are entitled to workers' compensation insurance are able to receive it.

The WCB's goal remains the same, to provide the best workplace accident insurance possible to the people of Nova Scotia. The first goal in getting anything working is to get the people involved talking. In 2002, Nova Scotians started this process, with injured workers, employers, business associations, the WCB, the Workers' Advisers Program, the Workers' Compensation Appeals Tribunal, the Occupational Health and Safety Division of the Department of Environment and Labour, and others all coming together to, first, provide feedback on the Review Committee's report and the Government Response, and second, provide input through the workplace safety and insurance system strategic plan into where the system should go in the future.

This open communication forms the backdrop for a productive working environment for all the participants in the workers' compensation system. It also emphasizes the teamwork and co-operation that have taken place so far, and the necessity for these activities to continue into the future.

# Improving Service

*The WCB continues to provide injured workers and employers with steady improvements in the timeliness, responsiveness, effectiveness, and quality of service. We are a service organization committed to providing quality workplace accident insurance to our clients, and ensuring that our service meets the present and future needs of all stakeholders.*

*The WCB's objectives are to improve: timeliness and efficiency; consistency and accuracy; return-to-work success; responsiveness; and the treatment of individuals in a courteous and dignified manner.*

Improving service to injured workers and employers continues to be our first priority. In 2002 we:

- Transfered Accident Education and Prevention to the WCB. One of the first changes to be implemented by the Government's response to the Workers' Compensation Review Committee's recommendations was to move the mandate for accident prevention and education from the Occupational Health and Safety Division of the Department of Environment and Labour to the WCB. Pro-active accident prevention and education fits perfectly with the WCB's commitment to risk management and return-to-work programs for employers and workers. This transfer allows the WCB to focus on informing and educating workers and employers on workplace safety, the insurance system, and their rights before an accident occurs — preventing accidents before they happen.

  The Education and Prevention Unit of the Occupational Health & Safety Division (OH&S) of the Department of Environment and Labour was moved to the WCB in December of 2002. Their first task with the WCB will be to help develop a strategic plan for prevention and education as part of the system strategic planning process.

  In the upcoming year, the WCB will be working to begin to integrate this new responsibility into all aspects of our business. For the present time the unit will continue its normal prevention and education work and will work closely with our Communications Department, Assessment Services Division and Workplace Disability Management Team to identify education opportunities for employers, workers, and students.

- Implemented changes to the Supplementary Benefits program. One of the recommendations of the Dorsey Report was that an adjustment be made to the Supplementary Benefits program. This program "tops-up" the benefits paid to some workers injured prior to March 23, 1990. The WCB's Board of Directors approached the Government to make changes to the legislation that would allow them to implement this change immediately. These changes would raise the income threshold under which workers would qualify for the program and would remove the 'cap' on the monthly maximum benefit that they would be eligible to receive.

  The necessary changes to the legislation were made in late November, and by early December the WCB's Extended Benefits Unit — who manage long-term claims — had identified and issued adjustment cheques to nearly 500 injured workers who were already receiving Supplementary Benefits. Staff had also started the process to identify clients who have now become eligible for Supplementary Benefits as a result of this change.

  "A key component of workers' compensation is to provide assistance to those in greatest need, and once the changes to the legislation were made, the staff made a concerted effort to locate these clients, explain the changes, and issue cheques to them as quickly as possible."
  Nancy MacCready-Williams, Vice President, Client Services Division

- Added service capabilities to the Nova Scotia Business Registry (NSBR). Launched in 2001, this on-line system provides employers with one-stop shopping for government licenses, registrations, and services. The Canada Customs and Revenue Agency (CCRA), Service Nova Scotia and Municipal Relations (SNSMR), and the WCB worked together to develop the 24-hour Internet site. In 2002, the NSBR added the capability for a business to obtain Clearance Letters for other organizations. Now employers will be able to check if companies (contractors or subcontractors) they wish to do business with have up-to-date WCB coverage.

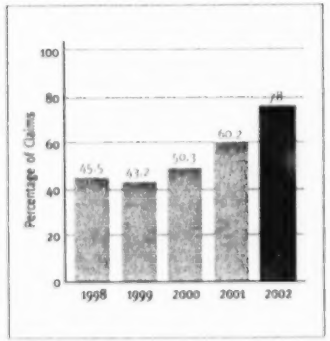
"The foundation of a successful workplace safety and insurance system is prevention. By educating people about workplace accidents and providing them with the techniques, tools, and knowledge to prevent injuries, the whole system becomes stronger." Louis R. Comeau, Chair, WCB Board of Directors.

"The NSBR is a Canadian first. The co-operation between Service Nova Scotia and Municipal Relations, the Canada Customs and Revenue Agency, and the WCB has provided employers who do business in Nova Scotia with stream-lined access to government services at their convenience."

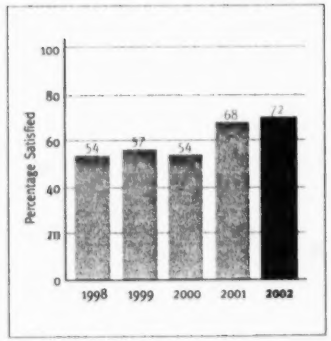
Stuart MacLean, Vice President, Assessment and Risk Management Services.

**<< The Satisfaction with the Politeness of WCB staff** measures injured workers' and employers' satisfaction with the politeness of the staff in the WCB's Assessment Services and Client Services Divisions. This Corporate Performance Measure uses results drawn from the monthly injured worker and quarterly employer surveys. An independent research company conducts these surveys on the WCB's behalf. The target for this measure is continual improvement.

- Improved our claims processing time. The Client Services Delivery Model radically re-structured the way our Client Services Division manages injured workers' claims, emphasizing the importance of fast, convenient and accessible service. The goal is to have injured workers receive their first benefit cheques more quickly. In December 2002, 78% of benefit cheques were issued within 15 days of the accident. This achievement is the result of the efforts of our staff and improvements in claims processing and technology. Injured workers have stated through our surveys that getting the first cheque quickly from the WCB is one of the most important services the WCB can provide, and 68% feel they should receive their first benefit cheque within 15 days of their accident.




**<< The Timeliness of First Payment** measures how quickly a first payment is issued to an injured worker after their accident occurs. It is the percentage of first Temporary Earnings Replacement Benefit (TERB) cheques issued within 15 calendar days of the date their accident was reported to their employer or the date that their loss of earnings started. This Corporate Performance Measure (CPM) is used to determine how efficiently the WCB is processing injured workers' claims. The 2002 target for this measure was 75%.




**<< The Satisfaction with Promptness of Benefits Delivery** measures how satisfied injured workers are with how quickly they get their first benefit cheque from the WCB. This Corporate Performance Measure uses results that are drawn from the monthly injured worker survey conducted on the WCB's behalf by an independent research company. The target for this measure is continual improvement.

(From left) Chris Keigan and Dave Crawley of the WCB and Jeff Nickerson and Robert Melanson of Register.com.

*"When something like this happens, it helps to have people there to support you," says Robert, "to get you back out there again."*

## Getting Connected

Using the power saw was a normal part of Robert Melanson's duties, but he never thought it would change his life. Robert was a forklift operator for a manufacturing company in Weymouth, and while using the power saw he started to feel pain in his elbows. At first, Robert felt that the injury was just a result of trying to do too much and felt it would go away over time. However, after a period of several months the pain persisted, and Robert went to his doctor.

Robert's doctor diagnosed him with bilateral elbow epicondylitus as a result of use of the power saw. The injury required surgery and meant that Robert would not be able to return to work at his old job. After surgery and a recovery period, Robert returned to work with his original employer as a truck driver, but the loss of strength and mobility in his elbows severely limited his abilities. After suffering a recurrence of the injury and further surgery, doctors determined that Robert had a permanent injury and would not be able to return to work which required him to do any type of physical labour.

After this setback, Robert met with his WCB Case Manager, David Crawley, and his Vocational Rehabilitation Counsellor, Chris Keigan, to discuss his options. "Robert had some experience working with computers and was anxious to return to work as soon as possible," said David. "The difficulty was really finding suitable employment in his area."

Chris and Robert developed a Job Search Program that would allow Robert to find a job working with computers in a customer service capacity. "I did some looking around myself and heard that Register.com was expanding," says Robert. The Yarmouth-based website and Internet registry company was looking for people to work on its customer support lines. "The job involved some knowledge of computers and the internet, but Robert's real strengths were his interpersonal skills and his positive attitude," says Chris. At this time, Robert participated in computer-refresher courses to make sure his skills were appropriate for the job.

Robert was in contact weekly with Register.com's Human Resources Manager, Gayle Morrison, and when the company began staffing for their next class of Customer Service Representatives, Robert was one of the first people interviewed and hired. Robert had David Crawley and Chris Keigan speak with Gayle, and they explained WCB's wage subsidy opportunities that might be available to Register.com through the Employment Incentives Program (EIP) and the On-the-Job Training (OJT) Program. However, Gayle was so impressed after Robert's first interview that he was hired outright — without the help of wage subsidy programs.

Robert's supervisor with Register.com is Jeff Nickerson. "Robert came right in, and was hard at work right away," says Jeff, who himself is a former injured worker who found employment with Register.com after a period of job search. Ironically, Jeff's WCB caseworkers were actually Dave Crawley and Chris Keigan. Robert is now working full-time for Registry.com, and although he has a permanent injury as a result of his accident, he's made a fresh start. "When something like this happens, it helps to have people there to support you," says Robert, "to get you back out there again."

# Increasing Accountability

*The WCB continues to develop and adhere to evaluation and reporting mechanisms, allowing our stakeholders to assess and measure our performance. In addition, we will continue to strive to provide financial stability in the workers' compensation system to the employers and workers in the province who depend on the benefits and services we provide.*

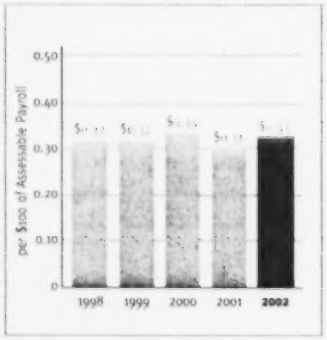
*In order to be accountable to our partners in the workers' compensation system, the WCB will continue reporting on: the Funding Strategy to eliminate the unfunded liability; our legislative requirement to fund current costs; and the maintenance of appropriate administration costs.*

Building a stable compensation system for all Nova Scotians continues to be a key focus for the WCB. This year, we:

- Updated and revised our Funding Strategy, as we do on an annual basis. The Funding Strategy takes into account the amount paid out in claims costs during the year and the estimated payments for future years. These amounts are then balanced with the amount the WCB receives in premiums and investment revenue. Any excess funds go directly towards elimination of the unfunded liability. The WCB's investments continue to be impacted by the changes in the volatile marketplace, and market uncertainty is taken into account when analyzing our financial performance and updating our Funding Strategy.

"Like any other organization, our financial models and forecasts are reviewed constantly throughout the year to make sure that we are meeting our targets and expectations. In any given year our goal is to meet the current costs of running the compensation system, to set aside funds for future payments, and to contribute to reducing our unfunded liability." Leo D. McKenna, Chief Financial Officer

- Provided rate stability for employers. The WCB's targeted average assessment rate for all employers in Nova Scotia remained at $2.54 per $100 of payroll for the seventh consecutive year. While the WCB continues to make strides in eliminating the unfunded liability, the organization feels that it is important to provide stable assessment rates for employers in Nova Scotia. The average assessment rate for Nova Scotia is a key component of our Funding Strategy, and is derived through a calculation of the expected costs and payroll for the upcoming year. The targeted average assessment rate for 2003 will remain at this level. For more information on the WCB's financial position, please see the Financial Statements beginning on page 26.



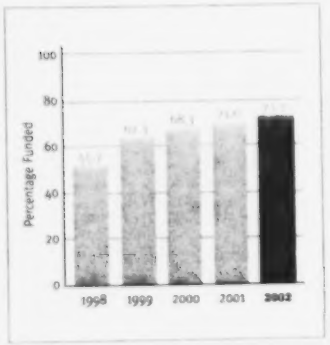

**<< The Administration Costs Corporate Performance Measure** takes into account the total administration costs of the organization (excluding any costs associated with Occupational Health and Safety, the Workers' Advisers Program, and the Workers' Compensation Appeals Tribunal) and divides this figure by the assessable payroll of firms covered by the WCB (not including self-insured employers). This measure analyzes how effectively the WCB utilizes our resources based on the amount of economic activity ensured. The target for this measure is to be below $0.38 per $100 of assessable payroll.

- Continued to seek clarity from the courts on several key legal issues regarding coverage and extent of benefits. Some key issues include:
  - Determining the appropriate forum for review of decisions involving federal employees and the *Government Employees Compensation Act*. This case was heard by the Nova Scotia Court of Appeal in November of 2002, and early in 2003, the Court released its decision — ruling that employees covered by this legislation would follow the appeals process of the jurisdiction in which they work;
  - An employer appealed a case to the Nova Scotia Court of Appeal where the Workers' Compensation Appeals Tribunal ruled that a worker's physical condition was affected by his shift-work, called "shift-work maladaption" syndrome. On December 30th, the Court of Appeal determined that the symptoms of shift-work maladaption did not arise out of and in the course of employment and that the worker was not eligible for benefits from the WCB.
  - The Supreme Court of Canada is now considering whether Nova Scotia's *Workers' Compensation Act* is discriminatory under the Canadian Charter of Rights and Freedoms on the basis that it limits benefits to workers with chronic pain. The Court is also reviewing whether the Workers' Compensation Appeals Tribunal has the authority to determine whether the provisions of the *Workers' Compensation Act* offend the Charter. The decision on this case will impact many appeals currently before the Nova Scotia Court of Appeal.

- A group of eight environmental illness claims relating to a particular employer were heard in a single WCAT hearing. The hearing will attempt to determine if the workers in this case are eligible for benefits from the WCB as a result of exposure to substances at their place of employment.

- Recovered more than $5.4 million in third-party actions, an increase of 49% from $3.6 million recovered in 2001. This, in turn, increases the amount that can be returned to the Accident Fund and the excess recoveries provided to injured workers. The WCB takes action on claims where a third party may be involved in order to maintain the integrity of the Accident Fund, which is used to pay the costs of all accidents involving registered employers. In 2002, the WCB took action on more than 160 third-party claims, up substantially from 2001. Additionally, in 2002, there was a 95% increase in the excess recoveries paid directly to injured workers. These figures include all activities undertaken in 2002.

The WCB may take action on behalf of the worker in order to recover any funds paid from the Accident Fund in situations where:
- the workplace accident was the responsibility of a third party (someone who is not covered by workers' compensation); or
- the workplace accident arises out of a car accident and the party responsible is not the worker's employer.




« **The Percentage Funded** is the ratio of the WCB's total assets to its total liabilities. This number is also frequently referred to as the WCB's "funded percentage." This Corporate Performance Measure represents the WCB's ability to pay the present and future costs of all claims, and takes into account any unfunded liability that the WCB may have. The WCB's forecast for 2002 was 75.0%.

- Assisted in the Workers' Compensation Review and the Government's Response. The WCB provided statistics and background information to the Workers' Compensation Review Committee while it was receiving submissions and conducting public hearings on the workers' compensation system. The WCB also provided these efforts with financial and statistical information.

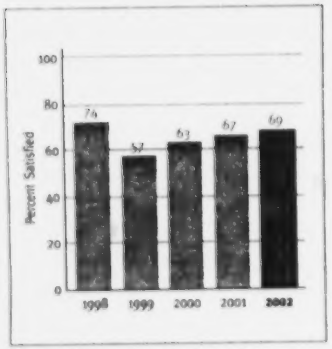
- Launched a system-wide strategic planning initiative with the partner agencies in the system. The Government's Response to the Dorsey Report indicated that a "fine balance must be struck to ensure a fair workers' compensation system that is characterized by fiscal sustainability; reasonable assessment rates; fair benefits for injured workers; a strategy for prevention; and strong co-operation and measurable results for the agencies responsible for the system." The emphasis was on improved co-operation, as the Government indicated that it wanted the agencies within the system to develop a comprehensive strategic plan for the entire workplace safety and insurance system. The Government felt that regardless of any potential changes to workers' compensation legislation as a result of the Dorsey Report, it was important that the system have a clear roadmap for its plans and activities for the future.

The Government's plan was to have a direction in place before any potential changes are made. This direction would come from a system-wide strategic plan, which would be comprised of a vision, mission and strategic goals, which define the direction the system is to take in the future. The strategic plan would also include objectives, initiatives, and measures, which would be landmarks that indicate whether the system is on the right road.

An important aspect of building the plan was to have stakeholder involvement: "All agencies and key stakeholder groups will be asked to participate in the development of the strategic plan." Where there is a need for any changes to the workplace safety and insurance system, it is important that all Nova Scotians have an opportunity to provide input into how they want the system to be structured.

The purpose of a system-wide strategic plan is to have the member agencies all working toward common goals, and to be able to report back on their progress in a timely manner, using agreed-upon measures and milestones. The plan is also customer-led, as each part of the plan will be developed with the input of injured workers, employers, labour and other key stakeholders.

**"Strategic planning is important because from it flows the future legislative, regulatory, policy and administrative change priorities for the system."** (Government Response Plan – pg. 4)

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## Working Your Way Back

Chris Chambers was working as a boom truck operator for Ocean Contractors Limited, a construction company based in Dartmouth, when he felt a pull in his back while he was lifting a manhole cover. Several days later, Chris was having trouble moving his back, and experiencing pain in his legs and feet. "I didn't want to stop working, I just thought it would go away," said Chris.

Chris went to his doctor, who told him that his low back pain was due to a pinched nerve which causing pain to radiate out to his leg, foot, and toes. The doctor referred him to a physiotherapist, and after a completing his physiotherapy program, he returned to work. His employer had arranged for Chris to go back to work performing light duties, which restricted some of his activity, including the amount he could lift. Due to the seasonal nature and heavy workload of construction companies, light duties are often difficult for an employer to accommodate, however after a period of light duty, Chris returned to work at his full duties.

Once Chris had returned to work, he again began experiencing back pain, but continued to work. To help him adjust, his employer eased back on some of the more physical tasks involved in his work. His doctor referred him to a back specialist who recommended surgery. Chris went into the hospital for a discectomy, and after a recovery period followed by a physiotherapy program, it was determined that Chris would be able to go back to work on modified duties. "Chris was worried about doing too much, too soon and injuring his back again," says Karen Lewin, his WCB Case Manager. "We wanted to be sure we could get him back in a situation where he could return to work and still recover from his injury." Karen brought in Vocational Rehabilitation Counselor, Stephanie Lewis, to meet with Chris and a kinesiologist.

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Steve Wellwood and Chris Chambers of Ocean Contractors Ltd. with Stephanie Lewis and Karen Lewin of the WCB.

"We wanted to set up a program for Chris that would simulate many of the things he would be doing when he returned to work," says Stephanie. Chris participated in his program, and the kinesiologist gradually increased the amount he was lifting and the time he was spending on his exercises. Karen and Stephanie approached Bryce Ball at Ocean Contractors and suggested that Chris would be able to return to work on a modified duty program.

And they got off to a great start. "Right away, Chris wanted to work, and work hard," says Ocean's General Manager, Steve Wellwood. The modified program would allow Chris to return to the majority of his old duties but limited the amount of hours he worked each day. The hours were gradually increased each week over the course of the four-week program, until Chris was able to return to full duties and full hours.

"I really wanted to get back to work, but I couldn't have done it alone," says Chris. "My family doctor, specialist, Ocean, and the WCB all worked with me to get back here."

# Communicating Effectively

*The WCB will continue to improve the lines of communication among the WCB, workers, employers, service providers, and other stakeholders by providing opportunities for all parties to participate in, and contribute to, improving the compensation system. The success of the workers' compensation system in the province depends upon the degree of co-operation and understanding among these parties.*

*In order to communicate effectively, the WCB will continue to: inform stakeholders about, and provide opportunities for, input into decisions affecting the Workers' Compensation Board and our activities; co-ordinate and, where appropriate, harmonize our operations with other agencies in order to benefit the workers' compensation system; and gather information and ideas from internal and external stakeholders to foster improvement in the system.*

Our efforts to become a customer-led organization show that we are actively seeking opportunities to work together with our stakeholders, and hear their input and feedback. By working together we can build a stronger compensation system. During 2002, we:

- Worked with the other agencies in the system to develop a strategic planning process that is supported by a stakeholder consultation. The Dorsey Report and Government Response recommended that the partner agencies develop a system-wide strategic plan, and that the agencies develop a consultation process to ensure all stakeholders have the opportunity to provide input. The partner agencies in the system developed a consultation model that allows every Nova Scotian the opportunity to have a say in the future of the workplace safety and insurance system.

A Co-ordinating Committee made up of senior representatives from the WCB, the Workers' Advisers Program, the Workers' Compensation Appeals Tribunal, and the Occupational Health and Safety Division of the Department of Environment and Labour was established. To provide a starting point for discussions with stakeholders they drafted a proposed vision, mission and strategic goals.

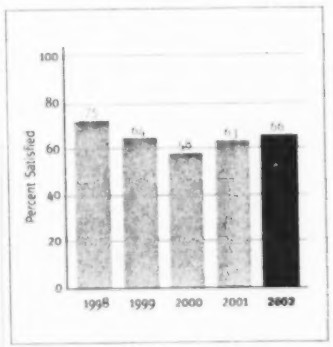
The draft document was distributed to key stakeholders around the province for their feedback. It was also posted on our web site, along with instructions on how to provide feedback. A stakeholder roundtable brought together 30 key leaders from the business, labour and injured worker communities to discuss the future of the workplace safety and insurance system.

This meeting was a first in Nova Scotia, and a significant milestone in the system's evolving stakeholder consultation process. It brought stakeholders together in the same room at the same time to discuss the vision, mission and goals for the system. The consultation process allowed this diverse group to discuss the future of the workplace safety and insurance system.

The group provided input into the draft vision, mission and goals. The updated versions and the report on the roundtable discussion were made available to the public in January 2003. The next step will be to complete a strategic plan for the entire system. This will be done with more input and consultation with stakeholders. The planning stage will include a discussion of potential changes to legislation, benefits and coverage arising from the Dorsey Report.

**"The stakeholder consultation process will enable the system to work in a more co-ordinated manner, with all of the member agencies moving toward one common goal: to provide all Nova Scotians with the best workplace safety and insurance system possible. The involvement of all stakeholders will help re-shape the system into one that more closely reflects the needs of Nova Scotians, and will also lay the groundwork for future consultation on policy development."**

Jim Houston, Vice President, Strategic Services



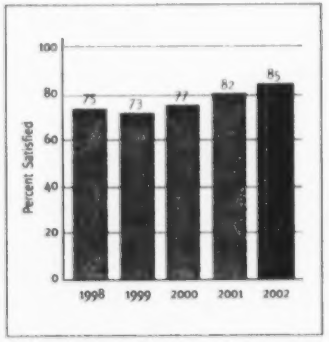

**<< The Satisfaction with Accessibility of WCB Staff** measures how easy it was for employers to reach WCB staff when needed. The Corporate Performance Measur comes from the WCB's quarterly employer surveys which are conducted by an independent research compan The target for this measure is continual improvement.

- Developed a Client Contact Strategy. Throughout 2002, the WCB researched ways to improve the flow of information between and among workers, employers, the WCB and others. Using stakeholder feedback gathered through surveys and focus groups, the goal was to develop a strategy for how stakeholders want to interact with the WCB in the future and what needs to be done to make that goal a reality. For example, would workers and employers like to be able to access more information over the Internet?

  The Client Contact Strategy first looked at how information is currently being exchanged. For example, what information do employers need or request on a regular basis and what methods do they currently use to access that information — do they call, write, request a fax, can they look up the information on the Internet? We then looked at other ways this information could be provided to employers which may better meet their needs. The WCB took this same approach with the information exchanged with all stakeholders.

  The Client Contact Strategy has identified five priority areas that the WCB will consider in order to provide faster, more efficient, and more timely service to injured workers, employers, and others.
  - Enabling secure e-mail transmission;
  - Re-structuring the WCB's phone system;
  - Re-designing the WCB's web-site for greater ease-of-use;
  - Providing on-line employer account look-up; and
  - On-line accident reporting.

  **Over the next several years the WCB will talk further with stakeholders to prioritize these opportunities and investigate the technology needed to improve service in these areas.**




**<< The Satisfaction with the Clarity of Letters** measures how satisfied injured workers were with the letters they received from the WCB. This measure comes from the organization's monthly injured worker surveys which are conducted by an independent research company. The target for this measure is continual improvement.

- Provided employers with on-site return-to-work assistance. The WCB's Workplace Disability Management Services (WDMS) Program is designed to help employers analyze their claims costs, help them identify problem areas, target possible solutions and make improvements toward improving their claims costs. The most common, and effective, solution, besides preventing accidents in the first place, is to implement a comprehensive return-to-work program for injured employees. This can be as simple as taking someone back to work after an injury by matching their physical abilities with their job tasks.

  The WDMS team is often contacted directly by employers themselves, but referrals most often come from WCB case workers, who, in working directly with employers, often see an opportunity to reduce claims costs. In 2002, more than 207 employer visits were conducted with 77 employers across the province. Often these visits are just to assist employers to understand the types of accidents they are having and how much these accidents are costing them through lost productivity, increases in experience rating costs, and the personal toll on workers and their families. Twenty companies implemented return-to-work programs in 2002 as a result, and employers like Braemore Home Corporation and Glades Lodge (nursing homes), Reynolds Packaging Limited (plastics manufacturer), and Helly Hansen (clothing manufacturer) have all received recognition for their efforts in developing successful return-to-work programs for their employees. Helly Hansen, in particular, has seen their claims costs drop by over 90% since working with the WDMS team and implementing a return-to-work program.

- Launched the New Business Forum. This collaborative effort with the Canada Customs and Revenue Agency (CCRA) and the Occupational Health and Safety (OH&S) Division of the Department of Environment and Labour provided newly-registered employers with a one-day series of information sessions about employers' responsibilities, rights and services. The workshop was set up in university format, allowing employers to pick and choose which topics were of greatest interest to them, and the times they wanted to attend the sessions. Topics included Workplace Disability Management, presented by the WCB; Preparing Your Payroll Taxes, presented by CCRA; The *Occupational Health & Safety Act*, presented by OH&S; and a number of other sessions. The Forum also featured a resource room

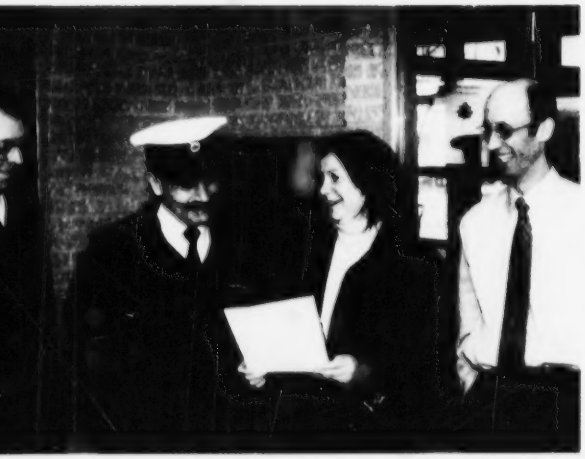
where employers could talk to representatives from each of the agencies about their particular situations, or collect information on a wide variety of topics. More than 100 employers participated in the Forum.

- Developed a formal process for handling WCB complaints. The WCB routinely tracks and monitors all complaints that it receives, but in 2002 the WCB developed and implemented a new policy outlining the process for handling these complaints, as well as the possible outcomes once a complaint is investigated. Gloria Samson, the WCB's Client Relations Officer, will act as the liaison between the complainant and the WCB, and assume responsibility for timely contact and resolution of complaints. The new process will be reported on in the 2003 Annual Report.

- Continued to refine our stakeholder research efforts. In 2002, the WCB's independent research firm surveyed more than 1,500 injured workers and 1,000 employers who had recent experiences with the WCB. Injured workers with time-loss claims were surveyed on a monthly basis and employers were surveyed on a quarterly basis. The information collected via these surveys allows the WCB to monitor stakeholder satisfaction with various aspects of our service in a timely and accurate manner, and make effective decisions about necessary improvements. The surveys are confidential and anonymous, and are conducted by an external company.

- Learned from our surveys that stakeholder satisfaction is improving: 87% of injured workers were satisfied with the politeness of WCB staff; 74% were satisfied with how often we contacted them about their claim; and 85% felt their case worker was knowledgeable about their file. Sixty-six percent of employers felt that the WCB assesses employers fairly based on their claims-cost experience; and 76% felt that workers' compensation was providing a benefit to employers.

The surveys also indicated opportunities for improvement in several areas, including our clients' satisfaction with their level of involvement in the case planning process and the accessibility of staff. We also learned from our surveys that employers are not fully aware of all of the benefits provided to them as part of their workplace accident insurance package — as only 41% of employers covered by workers' compensation knew that they could not be sued as a result of a workplace accident.



(From left) Lee Moulton and Brian Bona of the Canadian Corps of Commissionaires with Yvette Devoe and Peter Egan of the WCB.

## A Little Patience

Brian Bona was working for a forestry company in Cape Breton. In 2001, while doing some re-forestry work, Brian was injured when his loader rolled due to shifting logs. He went to the hospital and was treated for injuries to his back and shoulders. He then underwent surgery for his right shoulder. When he was released from the hospital, Brian began to participate in a rehabilitation and physical therapy program to increase the strength and flexibility in his back.

After completing his therapy, Brian was still experiencing pain in his back, and was assessed by his doctors. Although he was found to have a permanent injury as a result of his accident, surgery was not an option for him. He would not be able to return to his pre-accident employment.

While off work due to his accident, Brian and his WCB Case Manager, Peter Egan, began discussing options for returning to work. Brian's injury ruled out any type of employment where heavy lifting or activity was involved. Peter brought in Vocational Rehabilitation Counsellor Yvette Devoe, who explored Brian's work history and started him in a career exploration program. This program provides workers with resources to investigate possible return-to-work options.

*"Brian was always very eager to return to work," says Yvette. "He poured himself whole-heartedly into every aspect of his Vocational Rehabilitation program."*

"Brian was always very eager to return to work," says Yvette. "He poured himself whole-heartedly into every aspect of his Vocational Rehabilitation program." Brian had six years' experience with the Department of Natural Reserves working as a Corporal. This experience had given Brian some excellent transferable skills, and while investigating possible job opportunities, he came across a position with the Canadian Corps of Commissionaires (CCC) in Sydney.

"He went out and really created his own job opportunity," says Peter. "He approached the Commissionaires' Colin Corkum about a job and then let us know that he had something lined up." The Case Management Team worked with Brian and the Canadian Corps of Commissionaires to develop a Return-to-Work Plan. This plan consisted of a 12-week involvement in the WCB's Employment Incentives Program, which would be monitored by the WCB and the employer, as well as Brian to ensure that there were no difficulties.

The Employment Incentives Program (EIP) provides employers with a forgivable loan, which is paid in decreasing amounts over a pre-approved employment period. The purpose is to provide an injured worker with a job and training. Wage assistance is available to employers who are reasonably certain that they will provide full-time employment for the worker after the EIP program ends. "The program helps the worker return to work and get valuable experience, while helping employers increase productivity and lower costs," says Yvette.

"The hardest thing to do when you're trying to get back to work is to stay patient. Yvette and Peter really helped me out and guided me along while I was off," says Brian.

The Canadian Corps of Commissionaires offered Brian a full-time job with their organization the day after his four-month EIP term ended. Lee Moulton, the Area Supervisor for Cape Breton, feels it was a great move. "Brian is doing extremely well. He is working hard and has fit right in with us."

# Building Strength Within

*We value our employees and want them to have the technology, skills and learning opportunities they need to deliver prompt, effective service. Highly trained and knowledgeable staff allows the WCB to provide better service to injured workers and employers.*

*To continue to build strength within, the WCB will: provide effective management; ensure staff have the necessary skills and tools to do their jobs; provide opportunities for personal growth and professional development; and provide timely and effective internal communication.*

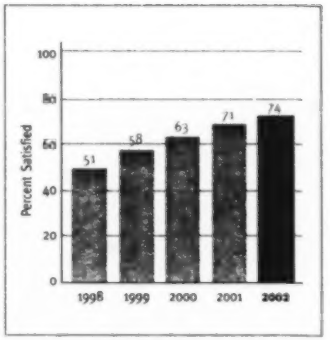
The WCB made great strides in providing its staff with the training required to adopt a customer-led, service-first approach. Specifically, we:

- Implemented the Performance Measurement and Management System (PMMS). The PMMS is designed to help WCB staff accurately and objectively measure their effectiveness, and subsequently their success, in achieving individual and corporate goals. The system takes the organizational goals (such as delivering the first cheque to the injured worker within 15 days of the accident) and breaks them down into components, so that each unit in the WCB knows what it has to do, and when, in order to meet that goal (provide that benefit payment to the injured worker within 15 days). The system then ties the unit and team goals into each employee's individual performance targets and evaluation.

  The system not only increases staff's accountability, but also increases their responsibility for, and involvement in, providing excellent service to injured workers and employers. PMMS also helps to identify problem areas, so that staff and units can work to improve their individual and team performance in these areas in order to meet their goals. The Performance Measurement and Management System has been implemented within our two major operational Divisions — Client Services and Assessment and Risk Management Services.

- Supported on-going training for WCB staff. In 2002, the WCB's Human Resources Department provided over 70 different training sessions for WCB staff, helping them to learn new skills and master new technologies. These Continuing Education sessions also provided an opportunity for employees to refresh their skills in certain areas. The topics covered included: WCB orientation, medical terminology, computer skills, use of the E-File and Data Warehouse systems, use of the PMMS system, case management, and other related topics.

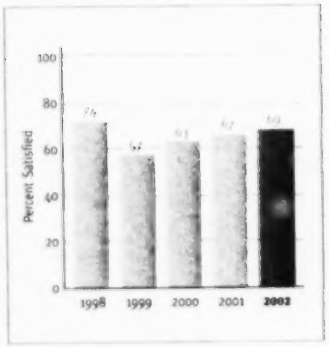
  The WCB's Human Resources Department, in conjunction with other departments, provided the 300-plus staff of the WCB with over 5,000 hours of training — helping them keep up-to-date with new and emerging trends in disability case management and workplace accident insurance.




**<< The Satisfaction with Frequency of Contact** measures how satisfied injured workers are with how often we contact them about their claims. The information for this Corporate Performance Measure is gathered via the WCB's monthly injured worker surveys which are conducted by an independent research company. The target for this measure is continuos improvement.

- Improved access to timely statistical information. The WCB's Data Warehouse tracks routine statistical and financial information that is collected during the organization's day-to-day operations, and provides WCB employees with an easy-to-use tool to collect and review this information. WCB case workers now have the ability to easily provide employers with detailed statistical information on their most common types of accidents and injuries. This information can be used to improve safety procedures (reduce accidents) and help develop return-to-work programs (reduce costs).

**"The PMMS system is the first comprehensive performance measurement and management system at any WCB in Canada. The system integrates performance information at all levels from organization-wide to individual staff member. This makes the WCB and every member of the staff aware of their performance levels and accountable for providing excellent service to our stakeholders."** David Stuewe, Chief Executive Officer

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"I really wanted to get back to work, but I couldn't have done it alone," says Chris. "My family doctor, specialist, Ocean, and the WCB all worked with me to get back here."

# Management's Responsibility for Financial Reporting

The Financial Statements of the Workers' Compensation Board of Nova Scotia were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and assets are properly safeguarded. The Internal Auditor performs periodic audits designed to test the adequacy and consistency of the WCB's internal controls.

The Board of Directors has approved the financial statements included in this Annual Report. The Board of Directors is assisted in its responsibilities by the Audit & Finance Committee. This Committee reviews and recommends approval of the financial statements and meets periodically with management, the independent actuaries and the internal and external auditors concerning internal controls and all other matters relating to financial reporting.

The firm of Eckler Partners Ltd. has been appointed as independent consulting actuaries to the WCB. Their role is to complete an independent annual actuarial valuation of the benefits liabilities included in the financial statements of the WCB and to report thereon in accordance with accepted actuarial principles.

Ernst & Young LLP, the external auditors of the WCB, have performed an independent audit of the financial statements of the WCB in accordance with auditing standards generally accepted in Canada. The Auditor's Report outlines the scope of this independent audit and the opinion expressed.

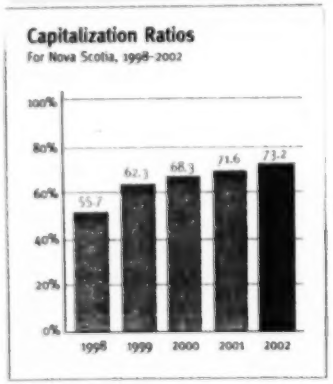
David Stuewe
Chief Executive Officer

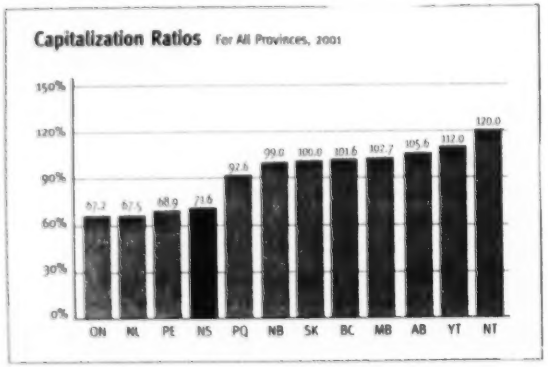
Leo D. McKenna, CA
Vice-President, Finance
and Chief Financial Officer

# Management Discussion and Analysis

As an integral part of the Annual Report, the Management Discussion and Analysis provides further insight into the operations and financial position of the Workers' Compensation Board. The discussion and analysis should be read in conjunction with the audited financial statements and supporting notes.

The WCB operates under the authority of the *Workers' Compensation Act* and is responsible, in accordance with the provisions of the *Act*, for administering the payment of benefits to injured workers and for levying and collecting assessment revenues in an amount sufficient to cover the current and future costs of compensation claims. The WCB obtains its revenues from premiums based on assessable payrolls and reimbursements from self-insured employers. The WCB provides coverage to approximately 68% of workers employed in Nova Scotia.




## Statement of Financial Position

### Assets

#### Receivables

The WCB's receivables consist primarily of amounts owed by employers for 2002 premiums, an amount due from the Canada Customs and Revenue Agency collected from employers on behalf of the WCB and the recoverable portion of benefit overpayments.

#### Investments

The Board of Directors oversees the WCB's investment policies and performance. The Investment Committee is a standing committee, advisory to the Board of Directors. The Committee reviews and reports to the Board of Directors on the administration, supervision, and management of the investment program.

The WCB's assets are diversified among a variety of asset classes in order to optimize returns and manage risk. Investment management for long-term investments is delegated to several external investment managers. The external investment managers are required to comply with the WCB's Statement of Investment Policies and Objectives that outlines permissible investments. During the year, the WCB chose to move to an index manager for approximately one-third of the portfolio.

The established investment target overall is to exceed the rate of return generated by the benchmark portfolio by 0.65% before management fees, based on five-year, moving-average time periods.

For active managers the objective is to exceed the return generated by the benchmark portfolio by 1.0% before investment management fees, based on five-year, moving-average time periods.

For the indexed manager, the objective is to match the return generated by the fund benchmark portfolio with a tracking error of +0.25% before investment management fees, based on five-year, moving-average time periods.

Note 4 of the financial statements indicates that the book value of the WCB's investments has increased by $44.3 million since 2001. Investment returns on the externally-managed portfolio on a market basis were -6.7% in 2002. The target for the five years ended December 31, 2002 was 4.45% and the WCB's actual return was 5.7%. The WCB's target was achieved.

The WCB's investment portfolio reflects the deferral of gains and losses to be amortized over a five-year period in accordance with generally accepted accounting principles. During the year the benchmark portfolio was adjusted to increase fixed income from 35% to 40% and reduce short-term investments and cash from 5% to 0%. The 2002 benchmark portfolio and asset class ranges are as follows:

| Asset Class | Benchmark | Minimum | Maximum |
|---|---|---|---|
| Canadian Equity | 30% | 20% | 40% |
| Foreign Equity (including U.S.) | 30% | 20% | 40% |
| **Total Equity** | **60%** | **50%** | **70%** |
| Fixed Income | 40% | 30% | 50% |
| Short-term Investments and Cash | 0% | 0% | 15% |
| **Total Fixed Income and Cash** | **40%** | **30%** | **50%** |

#### Property and Equipment

Additions to capital assets in 2002 were concentrated in office furniture, computer hardware and software, and process development.

## Liabilities

### Payables

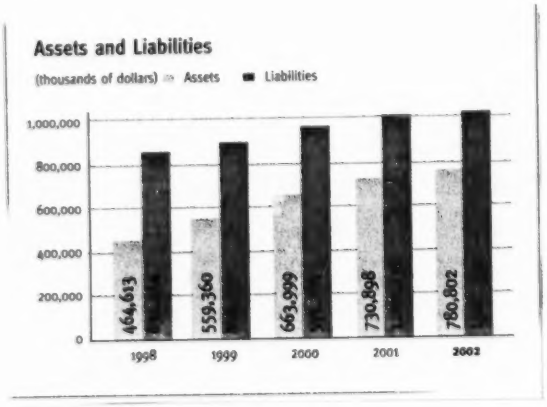
The principal items recorded under payables are accounts payable and accrued liabilities. Payables have decreased slightly for 2002 to $12.8 million from $13.8 million.

### Employee Future Benefits

The WCB has provided for employee future benefits other than pensions including retirement allowances and post retirement life insurance, dental, and medical programs. This amount has increased $0.3 million from 2001.

### Benefits Liabilities

The benefits liabilities grew by 4.7% as set out in detail in Note 9 to the financial statements. The change in most years is attributable primarily to the change in the present value of claims payable in future years, as calculated through the annual actuarial valuation process. In 2002, the benefits liabilities increased $20.3 million based on a change in supplementary benefits.




### Unfunded Liability

The WCB's liabilities total $1.067 billion and assets total $780.8 million, resulting in an unfunded liability of $286.2 million at the end of 2002. The WCB's funding percentage has increased from 71.6% to 73.2% as at December 31, 2002.

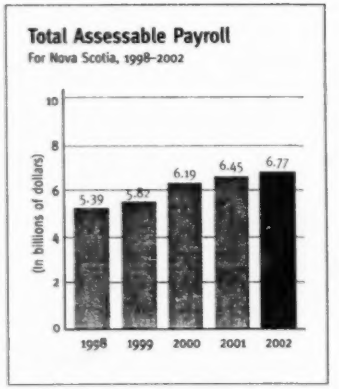
In workers' compensation, assessment revenue should roughly equal current year costs, otherwise transfers to/from future or past employers are occurring. This will be the case in Nova Scotia until the unfunded liability is eliminated. Over the long term, investment income should be expected to equal liability requirements. This is unlikely to be achieved when there is a significant unfunded liability. Actuarial adjustments, in a stable system, should be held to marginal levels, reflecting minor differences between actual experience and estimates.

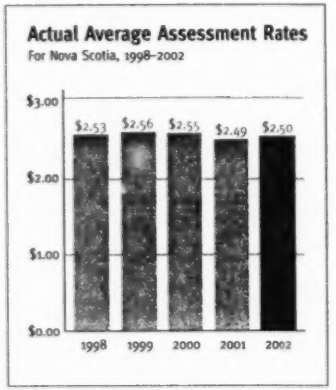
### Statement of Operations and Unfunded Liability

The operating results for 2002 and 2001 may be attributed to the following factors:

| ($000's) | 2002 | 2001 |
|---|---|---|
| Assessment Revenue in Excess of Current Year Costs | $ 44,453 | $ 39,141 |
| Investment Income below Liability Requirements | (47,180) | (23,708) |
| Lower Actuarial Liabilities than Previously Anticipated | 27,295 | 2,320 |
| Adjustment to benefit liabilities | (20,305) | - |
| Excess of Revenue over Expenses | $ 4,263 | $ 17,753 |

## Revenues




### Assessment Revenue

Assessment revenue increased $11.6 million (6.1%) from 2001 levels. Revenues from regis tered firms increasec $13.7 million (8.7%). This increas is primarily attrib- uted to an increase i assessable payroll of 5.1%. The targeted average assessment rate has remained stable at $2.54 since 1994. The actual average assessment rate in 2002 was slightly below that target. The self-insurers experienced slightly lower claims payments in 2002, which resulted in lower direct premiums and administration charges billed of $2.1 million.

### Investment Income

Investment income is derived from interest on short-term investments and income on the long-term investments managed by external investment managers. The recorded income reflects the WCB's accounting policies, applied on a basis consistent with prior years, with respect to the deferral and amortization of both realized and unrealized gains and

losses within the equity and fixed income components of the actively-traded portfolio.

Total investment income is $27.3 million for 2002, a decrease of $20.6 million (43%) over 2001 levels. These results reflect a poor year in the capital markets which saw the S & P / TSX Composite decline 12.4%, the S & P 500 decline 22.7%, and the MSCI EAFE decline 16.6%. The bond markets showed more positive returns at 8.7%.

## Expenses

### Claims Costs Incurred

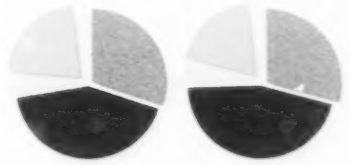
Claims costs incurred are an estimate of the costs related to compensable injuries which occurred in 2002. These estimates take into account both unreported claims and reported, but as yet unpaid, claims. As in previous valuations, the benefits liabilities do not include any provision for future claims related to occupational disease or for future expenses of administration of existing claims.

Claims costs incurred were $2.9 million (2.4%) higher than 2001. Claims categories with significant fluctuations included short-term disability costs increasing $1.9 million (5.6%); long-term disability costs decreasing $2.5 million (4.6%); and health care costs increasing $3.8 million (16.9%). Several factors influenced this aggregate result:

Total accidents reported decreased about 2.4% and reported time-loss claims decreased 4.7% from 2001.

The short-term disability increase reflects increases in payments over the last three years offset by decreased durations (8.0%) in 2002.

Total Claims Costs Incurred
(thousands of dollars)



| | 2002 | | 2001 | |
|---|---|---|---|---|
| Short-term Disability | 36,751 | 30.1% | 34,788 | 29.2% |
| Long-term Disability | 51,553 | 42.2% | 54,028 | 45.3% |
| Survivor Benefits | 4,794 | 3.9% | 5,305 | 4.5% |
| Health Care | 26,623 | 21.8% | 22,776 | 19.1% |
| Rehabilitation | 2,369 | 1.9% | 2,289 | 1.9% |

The net decrease in long-term disability claims costs combines two different features, namely the decrease in expected earnings-loss payments and a reduction in Clinical Rating Schedule (CRS) costs. Earnings-loss expenditures reflect experience under the new Act.

The increase in health care costs reflects the increases in payments over the last three years due to increasing cost of services coupled with increased utilization of services.

CRS costs dropped moderately. This decline reflects the ongoing impact of replacing the earlier pension system with the legislated earnings-loss approach to impairments, which came into effect in 1996 for accidents occurring after March 23, 1990.

### Growth in Present Value of Liabilities, Change in Assumptions and Actuarial Experience Adjustments

The growth in present value of benefits liabilities is the increase in the present value of prior years' claims due to an interest amount reflecting the time value of money. In 2002 this amount was $74.5 million, or approximately 7.5% of the benefits liabilities.

Our independent actuary made a number of changes in assumptions reducing the liabilities for prior years' claims totaling $27.75 million including:

- A change to the discount rate applied to Clinical Rating Schedule lump-sum awards increased the liability by $0.285 million.
- Provisions for payments relating to medical claims increased the liability by $6.04 million, as a result of increasing the cost increase assumption from 0.5% to 1.0% greater than the Consumer Price Index.
- Mortality rates were decreased to reflect the general population trend towards increased longevity. As a result, the liability was increased by $13.85 million.
- Based on experience, the probability of a payout of an eligible death claim resulting in an income benefit to a survivor was decreased. This reduced the liability by $19.91 million.
- Based on experience to date, the liabilities for long-term disability were reduced by $28.01 million.

Actuarial experience adjustments represent the adjustments to the present value of prior years' claims which were not anticipated in the prior year's valuation. Actuarial experience adjustments are $0.46 million in 2002 as indicated in Note 9 of the financial statements.

### Administrative Cost

Administrative expenditures totaled $26.5 million, an increase of $2.0 million (8.1%) from 2001. The increase is attributable to the following:

- Salaries and staff expense increased $1.6 million reflecting an increase in the staff complement and a new collective agreement.
- Amortization increased $0.2 million reflecting amortization of 2001 software development costs for a full year in 2002 and further investment in capital assets in 2002.
- Professional fees increased $0.2 million reflecting the increased use of consulting services for projects completed during the year.

### Legislated Obligations

The *Workers' Compensation Act* requires the WCB to pay the Province of Nova Scotia a portion of the costs of the Occupational Health and Safety Division of the Department of Environment and Labour, the costs of operating the Workers' Compensation Appeals Tribunal, the costs of operating the Workers' Advisers Program and the costs of the Workers' Compensation Review Committee.

In 2002, Occupational Health and Safety expenditures were $4.8 million, an increase over 2001 levels of $0.8 million. The WCB's expenditure is set by Order-in-Council and reflects the pro-rata share of the Department of Environment and Labour's expenditure in Occupational Health and Safety. The pro-rata share is based on the ratio of the WCB's covered workforce to the OH&S-covered workforce.

The cost to administer the external appeals process in 2002 was $1.4 million, an increase of $0.2 million (18.7%) over 2001 levels.

The cost to administer the Workers' Advisers Program was $2.0 million in 2002, an increase from $1.5 million for 2001. The costs of the Workers' Compensation Review Committee were $0.2 million in 2002.

### Excess of Revenue Over Expenses

In 2002, total revenues of $228.8 million, less total expenditures of $204.2 million, yielded excess revenue over expenses of $24.6 million. After an adjustment to the benefits liabilities of $20.3 million this leaves an excess of revenue over expenses of $4.3 million. This excess reduces the unfunded liability.

### Statement of Cash Flows

During 2002, the increase in cash was $6.2 million. Revenue received for premiums has increased $6.5 million from 2001. Investment revenue recorded represents a decrease of $20.6 million.

Cash flow decreased $1.7 million due to the increase in cash paid for claims. Disbursements relating to administrative services are up $4.5 million from 2001. Investment in capital assets in 2002 was $1.5 million, a decrease of $1.3 million from 2001.

## The Funding Strategy

The net results for 1995 - 2002 are significantly better than anticipated in our initial Funding Strategy in that the unfunded liability is $286.3 million at the end of 2002 while it was expected to be $419.7 million. However, these results represent only the first eight years in a long process toward financial stability and, as such, do not reflect a great deal of experience with long-term disability under the new legislation. Long-term disability is the WCB's largest cost area. In addition, the net results tend to mask significant offsetting variances from the plan as described below.

The original Funding Strategy, which started in 1995, was based on a 45-year program to eliminate the unfunded liability and reflected assumptions regarding estimated costs and revenues. These assumptions were somewhat conservative but reasonable at the time they were made, as they were based on twenty-one years of historical data indicating that the compound rate of increase in claims costs incurred and administration costs had outpaced the rate of increase in assessable payroll by more than 2%. In addition, assessable payroll had actually declined slightly over the last three years of the period.

In looking ahead, it is worth noting our experience with adjustments to the Funding Strategy to date. Our financial results in the first eight years of our Funding Strategy (1995 - 2002) were somewhat better than expected primarily due to increasing assessable payroll coupled with lower than anticipated claims costs incurred during this period, better than expected investment returns, and lower than anticipated inflation. This allowed the discount rate used to value the WCB's liabilities to be reduced from 4.75% to 3.50% at the end of 1997. The WCB also absorbed an adjustment of $40.2 million to the benefits liabilities during 1998, leaving the WCB essentially on target with the unfunded liability at the end of 1998 as expected in the original Funding Strategy.

Based on continued positive financial results, the WCB revised its Funding Strategy during 1999 to shorten the period over which the unfunded liability is eliminated. It was then expected to be eliminated in 2016, 23 years before the original projection of 2039.

In 2000 we again had very positive results relative to the original Funding Strategy. As a result, the WCB once again revised its Funding Strategy during 2000 to shorten the period over which the unfunded liability is eliminated. It was then expected to be eliminated in 2010, 29 years before the original projection of 2039.

The WCB's annual revision to the Funding Strategy in June 2001 left the target year for the elimination of the unfunded liability at 2010. 2001 represented the first year that could be considered a significant setback after six years of very positive results.

In June 2002, the WCB's annual revision to the Funding Strategy extended the timeline for elimination of the unfunded liability to 2014. This was based on an expected excess of revenue over expenses of $22.3 million. The actual excess of revenue over expenses for 2002 was $4.3 million. This is $18.0 million less than expected in the Funding Strategy. Given the number of variables affecting the funding position, swings can be expected. 2002 represented the second year in a row which could be considered a significant setback after six years of very positive results.

The 2002 shortfall is made up of assessment premiums $1.0 million less than expected, investment revenue $18.3 million less than expected, claims costs incurred $0.8 million less than expected, growth in present value and actuarial experience adjustment $18.0 million less than expected, administration and legislated obligations $2.8 million less than expected, and the adjustment to benefit liabilities of $20.3 million which was not expected.

Notes 9 and 16 of the financial statements detail two areas of uncertainty, actuarial experience and chronic pain-related benefits, which might have a significant impact on the WCB's benefits, liabilities and Funding Strategy.

## Outlook

As our 2002 Annual Report and Financial Statements go to print, we know that the Workers' Compensation Review Committee Report (Dorsey Report, 2002) continues to be considered by stakeholders, Government and the Board of Directors of the WCB. We are not able to assess the impact, if any, of the changes that might flow from the Committee's report on the WCB's Funding Strategy.

Funding of the workers' compensation system reflects the balance struck between the level of benefits, rates charged to employers and the WCB's funding position. When financial results are different than the target, whether better or worse, the choice becomes: adjust benefits, adjust rates, or adjust the WCB's funding position by lengthening or shortening the period over which the unfunded liability is eliminated.

As the level of benefits is set by the legislature and subject to interpretation by the courts, the funding equation is not entirely within the control of the WCB as the neutral administrator. The WCB generally offers no comment on the affordability of new benefits, and we simply note the impact of changing the balance of the funding equation as described above. As we have previously noted in the Annual Report, any variance from the plan is subject to reversal in subsequent years.

In 2002, we indicated that the funding period would be lengthened to 2014.

2002's financial results indicate that we have a shortfall of $18.0 million from the Funding Strategy target for 2002. The WCB's Board of Directors will revisit the Funding Strategy as part of the annual budget process in June 2003. These changes are expected to require either lengthening the period over which the unfunded liability is eliminated or an increase in assessment rates, if the period is to be held constant.

It is important to realize that, while our financial position has significantly improved over the last eight years, there are many years remaining to achieve our overall goal of financial stability, sustainability and full funding. As we have noted in previous Annual Reports, investment returns and inflation are, of course, subject to significant volatility.

The WCB recognizes that there will be variances from the Funding Strategy each year. Sometimes these changes will be temporary and sometimes longer term. Occasionally, these variances will be negative and then swing back in a positive direction. Often, variances will be driven by external events, such as gains or losses in the capital markets, which are substantially outside the WCB's or its stakeholders' control.

The WCB's Funding Strategy contains numerous assumptions about future financial performance and spans many years. The length of the period coupled with the number of assumptions makes the Funding Strategy fairly sensitive or leveraged to changes in the early years, meaning that relatively small changes in the early years can potentially have a significant impact in later years.

As outlined above, positive changes in the early years produced a dramatic shortening of the expected number of years to eliminate the unfunded liability. Negative changes have the potential to produce equally dramatic lengthening of the period.

Although the Funding Strategy clearly labels assumptions as such, many interested parties may credit the strategy with more certainty and precision than warranted given the number and nature of assumptions it contains. Individuals and groups should remember that the Funding Strategy is our best estimate of what will happen given the assumptions. As noted in previous Annual Reports and the Funding Strategy, actual results will differ from the projections and these differences may be material.

# Auditor's Report

To the Members of the Board of Directors
Workers' Compensation Board of Nova Scotia

We have audited the statements of financial position of the Workers' Compensation Board of Nova Scotia (the "WCB") as at December 31, 2002 and 2001 and the statements of operations and unfunded liability and cash flows for the years then ended. These financial statements are the responsibility of the WCB's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the WCB as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Halifax, Nova Scotia
February 28, 2003

Ernst & Young LLP
Chartered Accountants

## Statement of Financial Position

as at December 31 (thousands of dollars)

| | 2002 | 2001 (Restated - Note 3) |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 33,314 | $ 27,108 |
| Receivables (Note 4) | 17,965 | 16,346 |
| Investments (Notes 5) | 715,483 | 671,070 |
| Property and equipment (Note 6) | 12,240 | 13,167 |
| Other assets (Note 7) | 1,800 | 1,950 |
| | $ 780,802 | $ 729,641 |
| **LIABILITIES** | | |
| Payables and accruals | $ 12,817 | $ 13,768 |
| Employee future benefits (Notes 2f, 8 and 18) | 3,838 | 3,490 |
| Benefits liabilities (Note 9) | 1,050,479 | 1,002,978 |
| | 1,067,134 | 1,020,236 |
| Unfunded liability | (286,332) | (290,595) |
| | $ 780,802 | $ 729,641 |

Commitments (Note 16)
Contingencies (Note 17)

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board of Directors:

Chair

Director

## Statement of Operations and Unfunded Liability

Year ended December 31 (thousands of dollars)

| | 2002 | 2001 (Restated - Note 3) |
|---|---|---|
| Revenue | | |
| Assessments (Notes 10 and 14) | $ 201,526 | $ 189,914 |
| Net investment income (Notes 5 and 14) | 27,294 | 47,918 |
| | 228,820 | 237,832 |
| Claims costs incurred (Notes 9 and 14) | | |
| Short-term disability | 36,751 | 34,788 |
| Long-term disability | 51,553 | 54,028 |
| Survivor benefits | 4,794 | 5,305 |
| Health care | 26,623 | 22,776 |
| Rehabilitation | 2,369 | 2,289 |
| | 122,090 | 119,186 |
| Growth in present value of benefits liabilities and actuarial experience adjustments (Note 9) | 47,179 | 69,306 |
| Administration costs (Notes 11 and 14) | 26,513 | 24,524 |
| Legislated obligations (Note 12) | 8,470 | 7,063 |
| | 204,252 | 220,079 |
| Excess of revenue over expenses before the following | 24,568 | 17,753 |
| Adjustment to benefits liabilities (Note 9) | 20,305 | - |
| Excess of revenue over expenses applied to reduce the unfunded liability | 4,263 | 17,753 |
| Unfunded liability, beginning of year, as originally stated | (289,338) | (307,789) |
| Restatement (Note 3) | (1,257) | (559) |
| Unfunded liability, beginning of year, as restated | (290,595) | (308,348) |
| Unfunded liability, end of year | $ (286,332) | $ (290,595) |

## Statement of Cash Flows

Year ended December 31 (thousands of dollars)

| | 2002 | 2001 (Restated - Note 3) |
|---|---|---|
| Operating Activities | | |
| Cash received from: | | |
| Employers, for assessments | $ 198,334 | $ 191,830 |
| Net investment income | 21,037 | 21,237 |
| | 219,391 | 213,067 |
| Cash paid to: | | |
| Claimants or third parties on their behalf | (140,364) | (138,667) |
| Suppliers, for administrative and other goods and services | (33,125) | (28,578) |
| | (173,489) | (167,245) |
| Net cash provided by operating activities | 45,902 | 45,822 |
| Investing Activities | | |
| Increase in investments, net | (38,176) | (63,969) |
| Cash paid for: | | |
| Purchases of equipment | (1,520) | (2,867) |
| Net cash used in investing activities | (39,696) | (66,836) |
| Net increase (decrease) in cash and cash equivalents | 6,206 | (21,014) |
| Cash and cash equivalents, beginning of year | 27,108 | 48,122 |
| Cash and cash equivalents, end of year | $ 33,314 | $ 27,108 |

The accompanying notes are an integral part of the financial statements.

# Notes to the Financial Statements

## Years ended December 31, 2002 and 2001 (thousands of dollars)

### 1. NATURE OF OPERATIONS

The Workers' Compensation Board of Nova Scotia (the "WCB") was established by the Nova Scotia Legislature in 1917, under the *Workers' Compensation Act* (the "*Act*"), and as such is exempt from income tax. The WCB is responsible, in accordance with the provisions of the *Act*, for administering the payment of benefits to injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the costs of claims and administration; and investing funds held for future benefit payments.

A new *Act* received Royal Assent on February 6, 1995. Amendments to the *Act* received Royal Assent on April 16, 1999. Further amendments to the *Act* received Royal Assent on November 28, 2002. The *Act* contains several provisions dealing with retroactive entitlement for permanent disability. Permanent injuries incurred before March 23, 1990 will be compensated according to the workers' level of physical impairment. Permanent injuries incurred on or after this date are primarily compensated according to the earnings-loss resulting from the injury.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles, which include the following accounting policies:

a) **Cash and Cash Equivalents.** Money market instruments with maturities of three months or less are considered to be cash equivalents and are recorded at cost, which approximates current market value.

b) **Assessments Receivable.** Assessments receivable and assessment revenue include a provision for unbilled assessments to reflect anticipated revisions based upon actual payroll information received in the following year.

c) **Investments.** Fixed-term investments are recorded at amortized cost. Gains or losses realized on disposal of fixed-term investments are amortized on a straight-line basis over a five-year period.
Equity investments are stated at moving-average market value. Under this method unrealized gains and losses occurring during the year, together with gains and losses realized on disposal of equities during the year, are deferred and amortized on a straight-line basis over a five-year period. Where it is determined that a permanent impairment in the carrying value of the entire investment portfolio has occurred, the carrying value of the portfolio is written down to recognize the loss and the write down is included in the income of the year in which it occurs.

d) **Property and Equipment.** Property and equipment are stated at cost, less accumulated amortization. Amortization is charged on a straight-line basis over a period of 40 years for the building, and 5 to 10 years for furniture and facilities, equipment and computer hardware. Amortization is charged on a straight-line basis over a period from 5 to 10 years for software and process development and on a declining balance basis at an annual rate of 50 percent for software purchases. In the year of acquisition, a half-year's amortization is taken.

e) **Other Assets.** Other assets are stated at cost, less accumulated amortization, which is charged on a straight-line basis over 25 years.

f) **Employee Future Benefits.** Costs for employee future benefits, other than pensions (Note 18) are accrued over the periods in which the employees render services in return for these benefits. Any related actuarial gains and losses are amortized on a straight-line basis over the employees' average remaining service life.

g) **Benefits Liabilities.** An independent actuary completes a valuation of the Benefits Liabilities of the WCB at each year-end. The Benefits Liabilities represent the actuarial present value of all future benefits payments expected to be made for accidents which occurred in the current fiscal year or in any prior year. The Benefits Liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims. No provision has been made for future claims related to occupational disease or for future expenses for administration of existing claims.

h) **Foreign Currency Translation.** Investments denominated in foreign currencies are converted to Canadian dollars at rates of exchange prevailing at the balance sheet date. The resulting translation adjustment is accounted for on a basis consistent with the accounting policy for investments.

i) **Measurement Uncertainty.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

j) **Financial Instruments.** The carrying values of the WCB's financial instruments, other than investments, approximate fair values because of their short-term maturity and normal credit terms.
The WCB's accounts receivable do not represent significant concentration of credit risk because the accounts are owed by a large number of employers on normal credit terms.
At year-end the WCB did not have any exposure relating to derivative instruments.

k) **Comparative Figures.** Certain 2001 comparative figures have been reclassified to conform to the 2002 presentation.

### 3. RESTATEMENT OF PRIOR PERIODS' INVESTMENT INCOME

During the year, prior years' financial statements were restated to amortize non-cash gains and losses over a five-year period as required by WCB accounting policy as described in Note 2c. The effect of this restatement was that investment income was increased in 1999 by $30 and decreased in 2000 and 2001 by $589 and $698 respectively.

| The 2001 financial statements have been restated to reflect: | |
|---|---|
| Increase in unfunded liability at December 31, 2000 | $ 559 |
| Decrease in net investment income at December 31, 2001 | $ 698 |
| Increase in unfunded liability and decrease in investments at December 31, 2001 | $1,257 |

### 4. RECEIVABLES

| | 2002 | 2001 |
|---|---|---|
| Assessments | $ 16,807 | $ 14,944 |
| Self-insured employers (Note 13) | 3,920 | 4,365 |
| Assessments receivable | 20,727 | 19,309 |
| Self-insured employers – deposits (Note 13) | (4,001) | (4,001) |
| Harmonized Sales Tax rebate | 323 | 396 |
| Other | 916 | 642 |
| | $ 17,965 | $ 16,346 |

Assessments receivable are net of an allowance for doubtful accounts of $1,140 in 2002 (2001 - $1,687). Other receivables are net of an allowance for doubtful accounts of $133 in 2002 (2001 - $99).

### 5. INVESTMENTS

| | 2002 Carrying Value | 2002 Fair Market Value | 2001 Carrying Value | 2001 Fair Market Value |
|---|---|---|---|---|
| Money market | $ 16,951 | $ 16,951 | $ 38,430 | $ 38,455 |
| Fixed-term investments | 248,450 | 254,929 | 231,708 | 234,871 |
| Equities | 454,467 | 407,625 | 440,358 | 437,621 |
| Accrued interest | 2,210 | 2,108 | 2,758 | 2,757 |
| | 722,078 | 681,613 | 713,254 | 713,704 |
| Deferred realized investment and foreign exchange gains | (6,595) | – | (42,184) | – |
| Total | $ 715,483 | $ 681,613 | $671,070 | $713,704 |

**Deferred realized investment and foreign exchange gains**

| | 2002 | 2001 |
|---|---|---|
| Balance, Beginning of year | $ 42,184 | $ 49,760 |
| Realized net (losses) gains for the year | (24,857) | 12,169 |
| | $ 17,327 | $ 61,929 |
| Amortization of deferred realized investment gains | (10,732) | (19,745) |
| Balance, end of year | $ 6,595 | $ 42,184 |

**Investment Income**

| | | |
|---|---|---|
| Interest and dividends | $ 21,366 | $ 20,609 |
| Amortization of deferred realized investment gains | 10,732 | 19,745 |
| Amortization of deferred unrealized investment (losses) gains | (3,426) | 8,712 |
| | $ 28,672 | $ 49,066 |
| Less: Portfolio management expenses | (1,378) | (1,148) |
| Total Investment Income | $ 27,294 | $ 47,918 |

## 6. PROPERTY AND EQUIPMENT

| 2002 | Cost | Accumulated Amortization | Net Book Value |
|---|---|---|---|
| Land | $ 155 | $ - | $ 155 |
| Building | 3,380 | 1,387 | 1,993 |
| Furniture and facilities | 2,358 | 760 | 1,598 |
| Equipment and computer hardware | 2,807 | 1,877 | 930 |
| Software and process development | 14,834 | 7,270 | 7,564 |
| | $ 23,534 | $ 11,294 | $ 12,240 |

| 2001 | Cost | Accumulated Amortization | Net Book Value |
|---|---|---|---|
| Land | $ 155 | $ - | $ 155 |
| Building | 3,380 | 1,300 | 2,080 |
| Furniture and facilities | 1,994 | 557 | 1,437 |
| Equipment and computer hardware | 2,881 | 1,717 | 1,164 |
| Software and process development | 14,593 | 6,262 | 8,331 |
| | $ 23,003 | $ 9,836 | $ 13,167 |

## 7. OTHER ASSETS

| | 2002 | 2001 |
|---|---|---|
| Cost | $ 3,750 | $ 3,750 |
| Accumulated amortization | (1,950) | (1,800) |
| | $ 1,800 | $ 1,950 |

During 1990, the WCB paid $3,750 to the Province of Nova Scotia for the exclusive right to utilize a 16-bed unit at the Queen Elizabeth II Health Sciences Centre for a period of 25 years.

## 8. EMPLOYEE FUTURE BENEFITS

The WCB has provided for employee future benefits other than pensions consisting of retirement allowances, and post-employment life insurance, dental and medical programs.

The significant actuarial assumptions adopted in measuring these accrued benefit obligations are as follows:

| | Benefit Plans Other Than Pension 2002 | Benefit Plans Other Than Pension 2001 |
|---|---|---|
| Discount Rate | 6.75% | 6.75% |
| Expected health care costs trend rate | 8% decreasing annually by 1% increments to an ultimate rate of 5% | 9% decreasing annually by 1% increments to an ultimate rate of 5% |
| Drug claim increases trend rate | 10% decreasing annually by 1% increments to an ultimate rate of 6% | 11% decreasing annually by 1% increments to an ultimate rate of 6% |
| Retirement age assumption | 59 years | 59 years |

The current year's net expense incurred for future employee benefits is $452 (2001 - $452).

## 9. BENEFITS LIABILITIES

| | Short-Term Disability | Long-Term Disability | Survivor Benefits | Health Care | Rehabilitation | Total 2002 | Total 2001 |
|---|---|---|---|---|---|---|---|
| Balance, beginning of year | $63,702 | $710,675 | $125,670 | $92,612 | $10,319 | $1,002,978 | $955,004 |
| Growth in present value of benefits liabilities | 4,684 | 53,116 | 9,100 | 6,804 | 770 | 74,474 | 71,626 |
| Change in actuarial assumptions (a) | - | (16,337) | (18,526) | 6,785 | 328 | (27,750) | (35,221) |
| Actuarial experience adjustments (b) | (1,726) | (26,523) | 12,696 | 16,861 | (853) | 455 | 32,901 |
| | 2,958 | 10,256 | 3,270 | 30,450 | 245 | 47,179 | 69,306 |
| Claims costs incurred | 36,751 | 51,553 | 4,794 | 26,623 | 2,369 | 122,090 | 119,186 |
| Claims payments made | (39,250) | (56,475) | (13,474) | (30,394) | (2,380) | (142,073) | (140,518) |
| Adjustments to benefits liabilities (c) | - | 18,730 | 1,575 | - | - | 20,305 | - |
| Balance, end of year | $ 64,161 | $ 734,739 | $ 121,835 | $ 119,291 | $ 10,453 | $1,050,479 | $1,002,978 |

All liabilities were calculated using an underlying assumption of 3.5% for real rate of return on assets and a rate of increase in the Consumer Price Index equal to 4% per annum. The gross rate of return that results from the CPI and the real rate of return assumptions is 7.5% per annum. The inflation assumptions and the resulting net interest rates are as follows:

| 2002 Category | Inflation Formula | Resulting Inflation Rate | Resulting Net Interest Rate |
|---|---|---|---|
| Supplementary Benefits | 0.5% + CPI | 4.5% | 3.0% |
| LTD, Survivor Pensions | 50% * CPI | 2% | 5.5% |
| Medical Aid, Rehabilitation and non-income | 1.0% + CPI | 5% | 2.5% |
| All others | CPI | 4% | 3.5% |

| 2001 Category | Inflation Formula | Resulting Inflation Rate | Resulting Net Interest Rate |
|---|---|---|---|
| Supplementary Benefits | 50% * CPI | 2% | 5.5% |
| LTD, Survivor Pensions | 50% * CPI | 2% | 5.5% |
| Medical Aid, Rehabilitation and non-income | 1/2% + CPI | 4.5% | 3% |
| All others | CPI | 4% | 3.5% |

The WCB's independent actuaries, in their report of February 3, 2003, have noted that limited claims experience is only yet available in respect of earnings-loss benefits to be granted in the future upon aggregate benefits liabilities, as the earnings-loss system was only introduced in 1995. The portion of the WCB's recorded benefits liabilities earnings-loss benefits to be granted in the future is $367,000.

Recorded benefits liabilities are based upon the best estimation techniques presently available to the WCB. However, it is possible that subsequent independent actuarial estimates may vary based upon the more extensive experience and data under the new earnings-loss procedures that will become available over time. The probability and the magnitude of such a variance, which could be material, is presently undeterminable.

a) **Change in actuarial assumptions.** During the year, changes were made in the actuarial assumptions reducing the overall benefits liabilities by $27,750 (2001-$35,221). Generally, the changes noted below affect more than one benefit category.
- A change to the discount rate applied to Clinical Rating Schedule lump sum awards increased the liability by $285.
- Provisions for payments relating to medical claims increased the liability by $6,043, as a result of increasing the cost increase assumption from 0.5% to 1.0% greater than the Consumer Price Index.
- Mortality rates were decreased to reflect the general population trend towards increased longevity. As a result, the liability was increased by $13,847.
- Based on experience, the probability of a payout of an eligible death claim resulting in an income benefit to a survivor was decreased. This reduced the liability by $19,911.
- Based on experience to date, the liabilities for long-term disability were reduced by $28,014.

b) **Actuarial experience adjustments.** Actuarial experience adjustments represent the difference between what is predicted based on the actuarial assumptions and methods used in the prior valuation and what actually occurred during the year.

c) **Adjustments to benefits liabilities.** Introduced in 1995, the Supplementary Benefit Program provides benefits to injured workers with permanent disabilities who, because of their date of injury, do not qualify to be considered for earnings-loss benefits under the *Workers' Compensation Act*. In April 2002, the Workers' Compensation Review Committee released its report on a review of the workers' compensation system. The Review Committee concluded that the amount payable under the current Supplementary Benefit Program was not sufficient and an increase in the benefit amount was required. The Committee recommended an amendment to the legislation and regulation "to remove the monthly maximum payment and increase the income threshold for individuals to one-half the average industrial wage from year to year." In November 2002, this recommendation was adopted by government effective October 1, 2002. The cost of implementing this change is an estimated one-time increase of $20.3 million to the WCB's benefits liabilities.

## 10. ASSESSMENTS

| | 2002 | 2001 |
|---|---|---|
| Classes | $ 169,659 | $ 155,340 |
| Self-insured employers (Note 13) | 30,327 | 32,401 |
| Assessment and reporting penalties | 1,134 | 1,481 |
| Premium adjustment charge | 406 | 692 |
| | $ 201,526 | $ 189,914 |

Assessment revenue is shown net of bad debt expense of $1,280 in 2002 (2001 - $666).

## 11. ADMINISTRATION COSTS

| | 2002 | 2001 |
|---|---|---|
| Salaries and staff expense | $ 18,429 | $ 16,837 |
| Amortization | 2,586 | 2,406 |
| Services contracted | 1,223 | 1,150 |
| Building operations | 1,200 | 1,313 |
| Supplies | 789 | 732 |
| Professional fees | 665 | 499 |
| Communications | 639 | 631 |
| Travel and accommodations | 520 | 579 |
| Training and development | 409 | 329 |
| Equipment rental | 37 | 31 |
| Miscellaneous | 16 | 17 |
| | $ 26,513 | $ 24,524 |

## 12. LEGISLATED OBLIGATIONS

| | 2002 | 2001 |
|---|---|---|
| Occupational Health and Safety | $ 4,834 | $ 4,035 |
| Workers' Compensation Appeals Tribunal | 1,434 | 1,208 |
| Workers' Advisers Program | 1,975 | 1,502 |
| Workers' Compensation Review Committee | 227 | 318 |
| | $ 8,470 | $ 7,063 |

The WCB is required by the *Act* to reimburse the Government of Nova Scotia for part of the operating costs of the Occupational Health and Safety Division of the Department of Environment and Labour.

The Workers' Compensation Appeals Tribunal (WCAT) is an independent organization formed to hear appeals of workers' compensation claims and assessment decisions. The WCB is required by the Act to absorb the operating costs of the WCAT.

The Workers' Advisers Program (WAP) offers legal advice and assistance to eligible injured workers on workers' compensation matters. The WAP operates autonomously from the WCB. The WCB is required by the Act to absorb the operating costs of the WAP.

The Statutory Review Committee was appointed pursuant to the *Act* to review, report on and make recommendations to the Governor in Council in accordance with the terms of reference established by the Governor in Council. The WCB is required by the *Act* to absorb the operating costs of the Workers' Compensation Review Committee.

## 13. SELF-INSURED EMPLOYERS

These financial statements include the effects of transactions carried out for self-insured employers — federal and provincial government bodies and former bodies — who directly bear the costs of their own incurred claims and an appropriate share of administration costs.

| | 2002 | 2001 |
|---|---|---|
| **Revenue** | $ 30,327 | $ 32,401 |
| Claims costs incurred | | |
| Short-term disability | $ 4,110 | $ 4,882 |
| Long-term disability | 14,576 | 15,457 |
| Survivor benefits | 3,063 | 3,270 |
| Health care | 4,030 | 3,992 |
| Rehabilitation | 219 | 272 |
| | 25,998 | 27,873 |
| Administration costs | 4,329 | 4,528 |
| | $ 30,327 | $ 32,401 |

The benefits liabilities related to self-insured employers have not been included in the WCB's benefits liabilities account. As these liabilities will be borne by those employers when paid in future years, they do not add to the WCB's unfunded liability.

As of January 1, 2003, four former federal government bodies had ceased to be self-insured and paid assessment premiums. These employers and the WCB are continuing to negotiate the transitional arrangements related to benefits liabilities for accidents occurring on or before the date they ceased to be self insured.

## 14. RELATED PARTY TRANSACTIONS

Pursuant to various legislative amendments to the Act, the Province of Nova Scotia reimburses the WCB for certain claims costs incurred. These claims payments are billed and recovered on a monthly basis. Total recoveries for 2002 were $224 (2001 - $988). Claims payments and costs incurred indicated in Note 9 are shown net of these amounts.

In addition, the WCB provides self-insured coverage to provincial government agencies and departments. The Province, as a self-insured employer, reimburses the WCB for their own incurred claims and a share of administration costs. The amounts included in Note 13 for the Province of Nova Scotia are as follows:

| | 2002 | 2001 |
|---|---|---|
| Revenue | $ 3,817 | $ 3,706 |
| Claims costs incurred | $ 3,129 | $ 3,052 |
| Administration charges | 688 | 654 |
| | $ 3,817 | $ 3,706 |

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The balances due to and due from related parties are non-interest bearing and under normal credit terms. At December 31, 2002, the amount receivable from the Province of Nova Scotia was $534 (2001 - $717).

The WCB invests short-term funds in promissory notes of the Province of Nova Scotia. Interest earned on these investments totalled $671 in 2002 (2001 - $1,526). Total funds invested in notes due from the Province as at December 31, 2002 were $27,000 (2001 - $18,000).

## 15. INDUSTRY LEVIES

As a result of Orders-in-Council, the WCB has levied a surcharge against the industries listed below to fund a portion of the operating costs of safety and health training programs conducted by the industries. The amounts collected have been disbursed as directed by the Orders-in-Council. As the funds collected on behalf of these industries are not those of the WCB, they have not been included as revenue or costs in the Statement of Operations and Unfunded Liability.

| Industry | Payee | 2002 | 2001 |
|---|---|---|---|
| Construction | Nova Scotia Construction Safety Association | $ 856 | $ 861 |
| Forestry | Forestry Safety Society | 279 | 279 |
| Trucking | Nova Scotia Trucking Safety Association | 217 | 220 |
| Retail Gasoline | Retail Gasoline Dealers' Association | 24 | 24 |

## 16. COMMITMENTS

The WCB has committed to the following operating lease payments, for office premises and equipment, over the next five years and in aggregate:

| | |
|---|---|
| 2003 | $ 837 |
| 2004 | $ 832 |
| 2005 | $ 276 |
| 2006 | $ 220 |
| 2007 | $ 196 |
| | $ 2,361 |

## 17. CONTINGENCIES

On January 31, 2000, the Workers' Compensation Appeals Tribunal issued two decisions indicating certain provisions of the Act and Regulations pursuant to the Act were unconstitutional. This decision was overturned by the Nova Scotia Court of Appeal on November 8, 2000. The Appellants appealed the Court of Appeal decision to the Supreme Court of Canada, who heard oral arguments on December 9, 2002. The decision from the Supreme Court of Canada is expected some time in 2003. The provisions affected by the decisions relate specifically to the eligibility of workers to receive benefits for chronic pain. Unresolved issues surrounding this ruling have the potential to increase benefits liabilities relating to chronic pain benefits. The probability and magnitude of such an increase are currently undeterminable.

## 18. EMPLOYEE PENSION PLAN

Employees of the WCB participate in the Public Service Superannuation Fund (the "Plan"), a contributory defined benefit pension plan administered by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the plan are required by both employees and the WCB. Total employer contributions for 2002 were $845 (2001 - $813) and are recognized as an expense in the period. The WCB is not responsible for any unfunded liability, nor does the WCB have any access to any surplus that may arise in this Plan.

## WCB Salaries and Benefits December 31, 2002

| | 2002 | | | | | 2001 | |
|---|---|---|---|---|---|---|---|
| | Number of Individuals | Salary | Benefits | Other | Total | Number of Individuals | Total |
| Chair, Board of Directors | 1 | 10,950 | | | 10,950 [1] | 1 | 12,109 |
| Board of Directors | 9 | 105,725 | | | 105,725 | 9 | 90,476 |
| | 10 | 116,675 | 0 | 0 | 116,675 | 10 | 102,585 |
| Chief Executive Officer | 1 | 117,874 | 12,969 | 6,000 | 136,842 [2] | 1 | 133,146 |
| VP Client Services | 1 | 98,041 | 11,350 | 6,161 | 115,552 | 1 | 100,504 |
| VP Strategic Services | 1 | 93,337 | 10,998 | 3,003 | 107,338 | 1 | 103,444 |
| VP Finance & Chief Financial Officer | 1 | 93,041 | 10,971 | 3,003 | 107,015 | 1 | 99,882 |
| VP Assessment Services & Risk Management | 1 | 86,290 | 10,461 | 5,892 | 102,643 | 1 | 98,890 |
| VP Human Resources | 1 | 18,941 | 3,426 | 5,829 | 28,196 [3] | 1 | 96,013 |
| | 6 | 507,522 | 60,176 | 29,889 | 597,587 | 6 | 631,879 |
| Staff Salaries and Benefits (Average 2002 - $53,337, 2001 - $50,228) | 324 | 14,738,664 | 2,431,393 | 111,112 | 17,281,169 | 312 | 15,671,100 |
| Employee future benefits | | | | 452,200 | 452,200 | | 452,200 |
| Administration - Salaries & Benefits | 340 [5] | $ 15,362,861 | $ 2,491,569 | $ 593,201 | $ 18,447,631 [4] | 328 | $ 16,857,764 |

1. The former Chair received an annual salary of $20,000 plus a per diem of $300 to a maximum of an additional $20,000. The former Chair's term ended May 31, 2001 and the above amounts represent salary and per diems for five months in 2001. The Deputy Chair receives a per diem of $200 and all other Board members receive a per diem of $150 for Board meetings and related work. A new Chair was appointed on July 11th 2002. The Chair's remuneration is based on a daily per diem allowance of $300 to a maximum of $40,000 per annum. The $10,950 represents per diem payments from July to December, 2002.
2. The Chief Executive Officer is entitled to a leave arrangement for study purposes. This leave is earned after each five years of service. The duration of the the paid leave is six months during which the WCB provides regular benefits and expenses including course fees, travel, and accommodation. An independent compensation consultant has reflected this benefit at a pre-tax value of $47,000.
3. The VP Human Resources position was vacant from March 22 through to December 31, 2002. The total salary and benefits of $28,196 represents remuneration for this position for the period January 1 through March 22, 2002.
4. Salary includes regular base pay. Benefits include the employer's share of employee benefits: CPP, EI, Pension Plan, Health and Dental Plan, and Life Insurance and LTD. Other includes Vacation Payout and Travel Allowance. Total Salaries and Benefits in 2002 of $18,447,631 (2001 - $16,857,764) varies by $18,705 (2001 - $21,015) from Note 11 in the Financial Statements due to Travel Allowances disclosed in "Other", which is posted to Travel and Accommodations in Note 11.
5. This figure represents the average number of staff members on payroll during the year.

## Actuarial Certificate

We have completed an actuarial valuation of the benefits liabilities for insured employers under the *Workers' Compensation Act* of Nova Scotia as at December 31, 2002, for the purpose of providing input to the Financial Statements of the Workers' Compensation Board.

Our estimate of the benefits liabilities of $1,050,479,000 represents the actuarial present value at December 31, 2002, of all expected health-care payments, short-term disability benefits, long-term disability benefits, survivor benefits and rehabilitation payments which will be made in future years, and which relate to claims arising from events which occurred on or before December 31, 2002. As in previous valuations, the benefits liabilities do not include any provision for future claims related to occupational disease or for future costs associated with the administration of existing claims.

A new *Workers' Compensation Act* received Royal Assent on February 6, 1996. To estimate the effect of earnings-loss procedures and other elements of the new *Act*, we have made use of the actuarial techniques, which were applied in the earnings-loss costing work done in 1994, to evaluate the effect of the new *Act*. This work is described in separate reports to the Board.

No allowance has been made in these liabilities for any possible future deviations from the present policies and practices of the WCB or for the extension of new coverage types.

The liabilities have been broken down into five categories, namely: short-term disability; long-term disability; survivors' benefits; health care; and rehabilitation.

All liabilities have been calculated using underlying assumptions of 3.50% real rate of return on invested assets and rates of increase in the Consumer Price Index equal to 4.00% per annum. These assumptions are unchanged from those used in the actuarial valuation as at December 31, 2001.

The CPI assumption translates into inflation rates for indexing of benefits of 2.00% per annum in respect of long-term disabilities and permanent survivor benefits, as indexing for these categories is at 50% of the rate of increase in the Consumer Price Index.

Liabilities in respect of future permanent long-term disability and survivor benefits awards have been determined based on factors developed from historical patterns of permanent awards, and using mortality and valuation interest rate assumptions consistent with those used in determining the existing pension liabilities. These liabilities have been adjusted for the new *Act* by blending the earnings-loss costing results with emerging experience.

The liabilities in respect of short-term disability, health care, rehabilitation, and the non-permanent portion of survivors' benefits have been determined from projections of future claim payments. These projections have been based on continuation of recent payment patterns by years since the accident. An inflation rate of 4.0% per annum has been used to project future cash flows from short-term disability claims and the non-permanent portion of survivors' benefits. For health care and non-income rehabilitation benefits, we used an inflation rate of 5.0% per annum reflecting the greater expected inflation rate on these items.

We have reviewed the valuation data to test for reasonableness and consistency with the data used in prior years. Although the data with respect to Extended Earnings Replacement Benefits continues to be limited, there is increasing evidence to indicate that considerably fewer than expected permanently impaired claimants are becoming long-term claimants. The liability established for permanent awards to be granted in the future is about $367 million (about 35% of all liabilities). It is our opinion that the data are sufficient and reliable for the purpose of this valuation.

In our opinion, the actuarial assumptions are appropriate for the purpose of the valuation and the methods employed are consistent with sound actuarial principles. Our valuation report has been prepared and our opinions have been given in accordance with accepted actuarial principles.

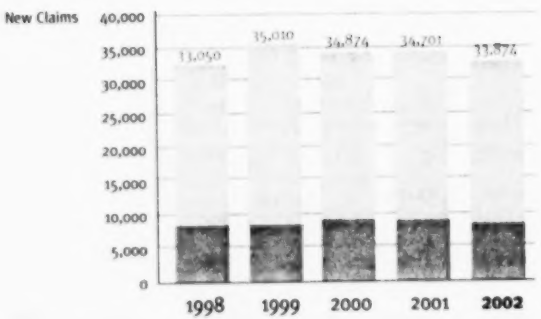
Paul G. Conrad, FCIA, FSA, MAAA
Eckler Partners Ltd.

# 2002 Statistical Summary

## In 2002:

- The total number of claims registered decreased by 2.4% from 34,701 in 2001 to 33,874 in 2002.
- The total number of time-loss claims in 2002 was 8,769. This represents a decrease of 4.7% from the 2001 total of 9,200.
- 'Sprains and strains' were by far the most common type of time-loss injury, with the back being the most common part of the body injured.
- The average duration of time-loss claims decreased 8.0% to 94.2 days from 102.4 days in 2001.
- Total assessable payroll has increased steadily since 1998. The current figure is $6.77 billion, a 25.6% increase from the 1998 figure of $5.39 billion.
- Nova Scotia's targeted average assessment rate of $2.54 per $100 of payroll was the second highest among the 12 Canadian WCBs. The actual rate was $2.50 per $100 of payroll as of February 28, 2003.
- The capitalization ratio increased from 71.6% in 2001 to 73.2% in 2002. The capitalization ratio is the WCB's total assets divided by its total liabilities.

## Status of New Claims




| | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|---|---|---|---|---|
| Time Loss | 8,170 | 9,200 | 9,061 | 9,200 | 8,769 |
| Other: | | | | | |
| No Compensable Time Loss | 20,532 | 22,790 | 22,251 | 21,727 | 20,833 |
| Fatal | 18 | 23 | 17 | 16 | 13 |
| Not Pursued or Disallowed | 4,330 | 3,997 | 3,545 | 3,758 | 4,259 |
| Other Subtotal | 24,880 | 26,810 | 25,813 | 25,501 | 25,105 |
| Total | 33,050 | 35,010 | 34,874 | 34,701 | 33,874 |
| Clients with Registered Claims | 28,535 | 30,046 | 30,110 | 29,942 | 29,449 |

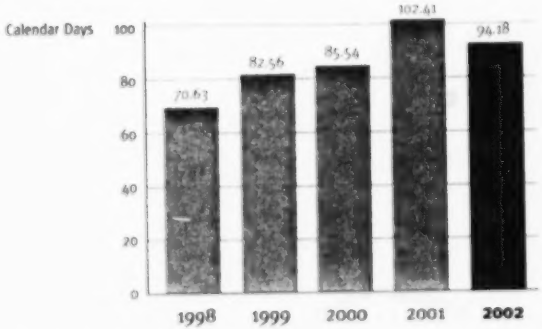
*Claims represented are those registered during the report year. Time-loss claims are defined as those claims which received a time-loss benefit during the report year, or within two months of the report year.*

*Some WCB clients may have had more than one accident/claim in a year, therefore, the number of clients with claims registered does not equal the number of claims registered.*

**1998 figures are restated based on adoption of the Association of Workers' Compensation Boards of Canada (AWCBC) definition.*

## Average Duration of Short-Term Disability Claims

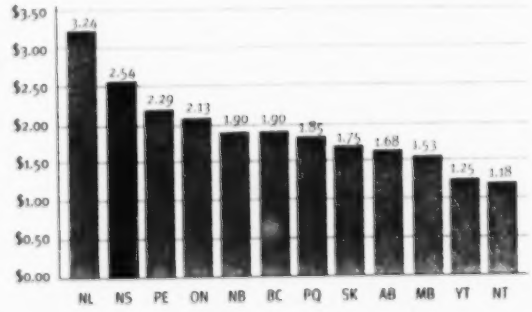
Using AWCBC Composite Method




*To make all years comparable, averages are based on the first five years of an accident's duration.*

## Targeted Average Assessment Rates

All provinces per $100 of assessable payroll, 2002




*Note: Caution should be exercised in comparing average assessment rates. Interprovincial differences in extent of coverage, industry mix, benefit levels and assessable maximums can all affect average assessment rates.*
*Source: Association of Workers' Compensation Boards of Canada.*

## Assessable Payroll by Industry, 2002

For Nova Scotia, 2002

| | Assessable Payroll ($ millions) | % of Total Assessable Payroll | Number of Claims Registered | % of Claims Registered (Non Self Insured) |
|---|---|---|---|---|
| Manufacturing | 1,221.8 | 18.0% | 7,558 | 23.9% |
| Health and social services | 1,073.3 | 15.8% | 5,018 | 15.9% |
| Retail trade | 870.2 | 12.8% | 3,510 | 11.1% |
| Construction | 610.4 | 9.0% | 2,908 | 9.2% |
| Wholesale trade | 544.7 | 8.0% | 1,908 | 6.0% |
| Government services | 380.2 | 5.6% | 1,263 | 4.0% |
| Accommodation, food and beverage | 353.0 | 5.2% | 2,610 | 8.3% |
| Transportation | 376.8 | 5.6% | 1,470 | 4.7% |
| Business service | 302.1 | 4.6% | 539 | 1.7% |
| Communication | 275.1 | 4.1% | 618 | 2.0% |
| Other service | 241.2 | 3.6% | 1,157 | 3.7% |
| Fishing and trapping | 177.0 | 2.6% | 612 | 1.9% |
| Mining | 115.8 | 1.7% | 209 | 0.7% |
| Real estate operator | 68.3 | 1.0% | 219 | 0.7% |
| Logging and forestry | 48.2 | 0.7% | 255 | 0.8% |
| Education | 54.6 | 0.8% | 70 | 0.2% |
| Agriculture | 40.6 | 0.6% | 249 | 0.8% |
| Finance and insurance | 20.7 | 0.3% | 12 | 0.0% |
| Unknown | 0.0 | 0.0% | 1,394 | 4.4% |
| **Total** | **$6,774.0** | **100.0%** | **31,579** | **100.0%** |

## Claims Registered by Firm

| Number of Firms | Number of claims registered 2002 | % of all Firms | Number of new claims registered | % of new claims registered |
|---|---|---|---|---|
| 12 | 200 or more | 0.07% | 5,983 | 17.66% |
| 40 | 100 or more | 0.23% | 10,028 | 29.60% |
| 96 | 50 or more | 0.56% | 13,964 | 41.22% |
| 208 | 25 or more | 1.21% | 17,763 | 52.44% |
| 552 | 10 or more | 3.22% | 22,912 | 67.64% |
| 1,092 | 5 or more | 6.37% | 26,418 | 77.99% |

Time-Loss Claims by

## Age at Accident Date

| | 2001 | % | **2002** | **%** |
|---|---|---|---|---|
| Not Stated | 8 | 0.1% | **5** | **0.1%** |
| Less than 20 | 280 | 3.0% | **256** | **2.9%** |
| 20 to 24 | 883 | 9.7% | **825** | **9.4%** |
| 25 to 29 | 1,002 | 10.9% | **904** | **10.3%** |
| 30 to 34 | 1,208 | 13.1% | **1,101** | **12.6%** |
| 35 to 39 | 1,410 | 15.3% | **1,319** | **15.0%** |
| 40 to 44 | 1,522 | 16.5% | **1,489** | **17.0%** |
| 45 to 49 | 1,233 | 13.4% | **1,189** | **13.6%** |
| 50 to 54 | 959 | 10.4% | **870** | **9.9%** |
| 55 to 59 | 486 | 5.3% | **573** | **6.5%** |
| 60 to 64 | 182 | 2.0% | **209** | **2.4%** |
| 65 or older | 27 | 0.3% | **29** | **0.3%** |
| | 9,200 | 100.0% | **8,769** | **100.0%** |

Compensable Time-Loss Claims by

## Part of Body

| | 2001 | % | 2002 | % |
|---|---|---|---|---|
| Back | 2,975 | 32.3% | **2,801** | **31.9%** |
| Multiple parts | 914 | 9.9% | **910** | **10.4%** |
| Leg(s) | 774 | 8.4% | **736** | **8.4%** |
| Shoulder(s) | 714 | 7.8% | **662** | **7.6%** |
| Fingers | 693 | 7.5% | **644** | **7.3%** |
| Arms(s) (above wrist) | 501 | 5.4% | **502** | **5.7%** |
| Wrist | 338 | 3.7% | **404** | **4.6%** |
| Hand (does not include fingers) | 403 | 4.4% | **360** | **4.1%** |
| Ankle | 376 | 4.1% | **352** | **4.0%** |
| Foot (does not include toes) | 271 | 2.9% | **257** | **2.9%** |
| Neck | 254 | 2.8% | **208** | **2.4%** |
| Chest | 190 | 2.1% | **189** | **2.2%** |
| Hips | 146 | 1.6% | **126** | **1.4%** |
| Eyes | 103 | 1.1% | **105** | **1.2%** |
| All other | 548 | 6.0% | **513** | **5.9%** |
| Total | 9,200 | 100.0% | **8,769** | **100.0%** |

Compensable Time-Loss Claims by

## Nature of Injury

| | 2001 | % | 2002 | % |
|---|---|---|---|---|
| Sprains, strains | 5,422 | 58.9% | **4,347** | **49.6%** |
| Nature not stated | 912 | 9.9% | **1,799** | **20.5%** |
| Contusion, crushing, bruise | 1,092 | 11.8% | **856** | **9.8%** |
| Cut, laceration puncture | 593 | 6.4% | **503** | **5.7%** |
| Fracture (includes teeth) | 309 | 3.4% | **308** | **3.5%** |
| Inflamed joint, tendon, or muscle | 162 | 1.8% | **215** | **2.5%** |
| Burn or scald (hot or cold) | 147 | 1.6% | **123** | **1.4%** |
| Scratches, abrasions | 98 | 1.1% | **122** | **1.4%** |
| Hernia, rupture | 89 | 1.0% | **80** | **0.9%** |
| All other | 376 | 4.1% | **416** | **4.7%** |
| Total | 9,200 | 100.0% | **8,769** | **100.0%** |

Compensable Time-Loss Claims by

## Type of Injury

| | 2001 | % | 2002 | % |
|---|---|---|---|---|
| Overexertion | 2,804 | 30.4% | **2,487** | **28.4%** |
| Bodily reaction | 1,677 | 18.2% | **1,622** | **18.4%** |
| Type of accident, unspecified | 800 | 8.7% | **1,048** | **12.0%** |
| Fall on same level | 837 | 9.1% | **826** | **9.4%** |
| Struck by | 805 | 8.8% | **687** | **7.8%** |
| Struck against | 618 | 6.7% | **550** | **6.3%** |
| Fall from elevation | 538 | 5.8% | **537** | **6.1%** |
| Caught in, under, or between | 358 | 3.9% | **357** | **4.1%** |
| Rubbed or abraded | 230 | 2.5% | **209** | **2.4%** |
| Motor vehicle accidents | 162 | 1.8% | **201** | **2.3%** |
| Contact with temperature extremes | 127 | 1.4% | **99** | **1.1%** |
| All other | 244 | 2.7% | **146** | **1.7%** |
| Total | 9,200 | 100.0% | **8,769** | **100.0%** |

Compensable Time-Loss Claims by

## Industry Sector

| | 2001 | % | 2002 | % |
|---|---|---|---|---|
| Manufacturing | 2,104 | 22.9% | 2,009 | 22.9% |
| Health and social services | 1,461 | 15.9% | 1,475 | 16.8% |
| Retail trade | 942 | 10.3% | 911 | 10.4% |
| Construction | 828 | 9.0% | 765 | 8.7% |
| Accommodation, food and beverage | 667 | 7.3% | 640 | 7.3% |
| Government services | 727 | 7.9% | 698 | 8.0% |
| Transportation | 547 | 5.9% | 526 | 6.0% |
| Wholesale trade | 501 | 5.4% | 477 | 5.5% |
| Communication | 354 | 3.8% | 318 | 3.6% |
| Other service | 298 | 3.2% | 267 | 3.0% |
| Fishing and trapping | 266 | 2.9% | 243 | 2.8% |
| Business service | 125 | 1.4% | 155 | 1.8% |
| Mining | 119 | 1.3% | 47 | 0.5% |
| Logging and forestry | 103 | 1.1% | 97 | 1.1% |
| Agriculture | 81 | 0.9% | 60 | 0.7% |
| All other | 77 | 0.8% | 81 | 0.9% |
| Total | 9,200 | 100.0% | 8,769 | 100.0% |

*Categories based on Statistics Canada Standard Industry Classification Codes. Claims represented are those registered during the report year. Time-loss claims for 2001 and 2002 are defined as those claims which received a time-loss benefit during the report year, or within two months of the report year.*

Compensable Time-Loss Claims by

## Sex of Client

| | 2001 | % | 2002 | % |
|---|---|---|---|---|
| Male | 6,153 | 66.9% | 5,695 | 64.9% |
| Female | 3,047 | 33.1% | 3,074 | 35.1% |
| | 9,200 | 100.0% | 8,769 | 100.0% |

*Claims represented are those registered during the report year. Time-loss claims for 2001 and 2002 are defined as those claims which received a time-loss benefit during the report year, or within two months of the report year.*

Compensable Time-Loss Claims by
Integrated Service Unit

## Accident Region

| | | 2001 | % | 2002 | % |
|---|---|---|---|---|---|
| 1 | Halifax Regional Municipality | 3,667 | 39.9% | 3,569 | 40.7% |
| 2 | Central & North Shore | 1,944 | 21.2% | 1,897 | 21.6% |
| 3 | South Shore & Valley | 1,999 | 21.7% | 1,921 | 21.9% |
| 4 | Cape Breton | 1,126 | 12.2% | 1,342 | 15.3% |
| Other | | 464 | 5.0% | 40 | 0.5% |
| | | 9,200 | 100.0% | 8,769 | 100.0% |

## Honouring a Commitment to Safety

Outstanding achievers in workplace safety were honoured with Occupational Health and Safety Workplace Achievement Awards as part of Occupational Health and Safety Week in May, 2002. The Occupational Health and Safety Achievement Award is presented by the province in partnership with the Workers' Compensation Board and Human Resources Development Canada. The award recognizes companies who have better accident experience than the average for their industries.

Adult Residential Centre
G & G Transport Repair Limited
Brimac Masonry Limited
Hutt Bros. Forestry Ltd.
Darrin Carter Logging Limited
Hankinson's Logging Limited
Milford Haven Home for Special Care
Halifax Employers' Association, CERESCORP Company, and Twin City Painting
Scotian Group of Companies
Ocean Paving Ltd.
Industrial Electrics Limited
A. Bek Drywall Limited
N.R. Kenney Logging Limited
Bowater Mersey Paper Company Limited
John Neil MacLellan
Sea Star Seafoods Limited
Keltic Lodge
Nakile Home For Special Care

## Meredith Principles

In 1910, in response to concerns about a lack of adequate funding for injured workers, a slow, inequitable court system, the Ontario government commissioned Sir William Meredith to produce a report on workers' compensation. Meredith reviewed the system in the United States, France, England, Belgium, and Germany and recommended a system based on collective liability and a wage-loss approach to calculating benefits.

The main principles of Meredith's report include the following:

- **Collective liability**, under which all employers share the responsibility for benefits to injured workers;
- **No fault**, under which the worker gains the right to benefits regardless of fault, in return for giving up the right to sue;
- **Universal coverage**, under which all workers are eligible to receive benefits;
- **Industry funding**, under which the entire costs of benefits are covered through levies on employers;
- **State administration**, under which the state assumes responsibility for the collection of employer contributions and the awarding and distribution of benefits to injured workers;
- **Exclusive jurisdiction**, under which the administrative Board (the WCB) has the power to inquire into, to hear and to adjust all issues as necessary;
- **Security of payment**, whereby the worker's claim was separated from the employer's ability to pay and guaranteed by an accident fund under the WCB's administration; and
- **Calculating benefits** based on wage loss, whereby an injured worker receives benefits based on a calculation of wages lost as a result of the injury.

Compensable Time-Loss Claims by

| | 2001 | % | 2002 | % |
|---|---|---|---|---|
| Manufacturing | 2,104 | 22.9% | **2,009** | **22.9%** |
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| Mining | 119 | 1.3% | **47** | **0.5%** |
| Logging and forestry | 103 | 1.1% | **97** | **1.1%** |
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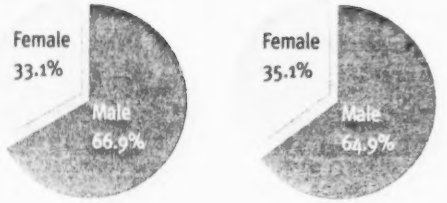
| All other | 77 | 0.8% | **81** | **0.9%** |
| Total | 9,200 | 100.0% | **8,769** | **100.0%** |

Compensable Time-Loss Claims by

## Sex of Client

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